

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A
AMENDMENT NO. 1

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number:

Takeda Yakuhin Kogyo Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Takeda Pharmaceutical Company Limited

(Translation of registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

1-1, Nihonbashi-Honcho 2-Chome
Chuo-ku, Tokyo 103-8668, Japan
(Address of principal executive offices)

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Copies to:

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange On Which Registered

American Depositary Shares Representing Common Stock
Common Stock, no par value*

New York Stock Exchange

* Listed not for trading, but only in connection with the registration of the American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

N.A.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As used in this registration statement, references to the “Company,” “Takeda,” “we,” “us” and “our” are to Takeda Pharmaceutical Company Limited and, except as the context otherwise requires, its consolidated subsidiaries. References to “Shire” are to Shire plc and, except as the context otherwise requires, its consolidated subsidiaries.

On May 8, 2018, we announced our offer to acquire all of the issued and to-be-issued share capital of Shire (the “Shire Acquisition”). See “Item 4. Information on the Company—A. History and Development of the Company—Shire Acquisition.” We and Shire operate as independent companies and will continue to do so until after the closing of the Shire Acquisition. For information on the business of Shire, see “Item 4. Information on the Company—Appendix: Business of Shire.” For information on the operating results and financial condition of Shire, see “Item 5. Operating Review and Financial Review and Prospects—Appendix: Operating and Financial Review and Prospects of Shire.” To the extent referring to periods following the completion of the Shire Acquisition, references in this registration statement to “Takeda,” “we,” “us” and “our” and to the “combined company” are to Takeda following its acquisition of Shire.

In this registration statement, we present our audited consolidated financial statements as of March 31, 2017 and 2018 and for the fiscal years ended March 31, 2016, 2017 and 2018. Pursuant to Article 3-05 of Regulation S-X, we separately present the audited consolidated financial statements of Shire as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017. Pursuant to Article 11 of Regulation S-X, we also present an unaudited pro forma condensed combined balance sheet and statement of income as of and for the fiscal year ended March 31, 2018. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The term IFRS also includes International Accounting Standards (“IAS”) and the related interpretations of the committees (Standard Interpretations Committee and International Financial Reporting Interpretations Committee). The consolidated financial statements of Shire are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Therefore, our results of operations are not directly comparable with those of Shire.

On November 8, 2018, we published our unaudited interim condensed consolidated financial statements as of September 30, 2018 and for the six months ended September 30, 2017 and 2018, which were prepared in accordance with IAS 34 and the Financial Instruments Exchange Act of Japan. An English translation of such unaudited interim condensed consolidated financial statements is included as an exhibit to this registration statement.

As used in this registration statement, “yen” or “¥” means the lawful currency of Japan, “U.S. dollar” or “\$” means the lawful currency of the United States of America (“U.S.”), “pound sterling” or “£” means the lawful currency of the United Kingdom and “euro,” “€,” or “EUR” means the lawful currency of the member states of the European Monetary Union.

As used in this registration statement, “ADS” means an American Depositary Share, representing 0.5 shares of the Company’s common stock, and “ADR” means an American Depositary Receipt evidencing one or more ADSs. See “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.”

As used in this registration statement, except as the context otherwise requires, the “Companies Act” means the Companies Act of Japan.

In this registration statement, we present “EBITDA” and “Adjusted EBITDA,” which are not measures presented in accordance with IFRS. For more information, see “Item 5. Operating and Financial Review and Prospects—Results of Operations—Certain Non-IFRS Performance Measures.”

Amounts shown in this registration statement have been rounded to the nearest indicated digit unless otherwise specified. In tables and graphs with rounded figures, sums may not add up due to rounding.

Special Note Regarding Forward-Looking Statements

This registration statement contains forward-looking statements. These statements appear in a number of places in this registration statement and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “intend,” “project,” “plan,” “aim,” “seek,” “target,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of our industry, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. These forward-looking statements involve statements regarding:

- the Shire Acquisition, our ability to complete it or our ability to achieve its expected benefits;
- our goals and strategies;
- our ability to develop and bring to market new products;
- expected changes in our revenue, costs, expenditures, operating income or other components of our results;
- expected changes in the pharmaceutical industry or in government policies and regulations relating to it;
- developments regarding or the outcome of any litigation or other legal, administrative, regulatory or governmental proceedings;
- information regarding competition within our industry; or
- the effect of economic, political, legislative or other developments on our business or results of operations.

Forward-looking statements regarding operating income and operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Accordingly, the forward-looking statements included in this registration statement should not be interpreted as predictions or representations of future events or circumstances.

Potential risks and uncertainties include those identified and discussed in “Item 3. Key Information—D. Risk Factors,” “Item 5. Operating and Financial Review and Prospects,” “Item 4. Information on the Company” and elsewhere in this registration statement. Given these risks and uncertainties, undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this registration statement. Except as required by law, we disclaim any obligation to update or review any forward-looking statements contained in this registration statement, whether as a result of new information, future events or otherwise.

Item 1. Identity of Directors, Senior Management and Advisers

A. *Directors and senior management.*

Information about Takeda’s directors and executive officers as of the date of this registration statement is provided in Item 6. A of this registration statement. Their business address is: 1-1 Nihonbashi-honcho 2-Chome, Chuo-ku, Tokyo, 103-8668, Japan.

B. Advisers.

Not applicable.

C. Auditors.

For the three years ended March 31, 2018, KPMG AZSA LLC, an independent registered public accounting firm, has acted as our auditor. The address of KPMG AZSA LLC is Otemachi Financial City South Tower, 9-7 Otemachi 1-Chome, Chiyoda-ku, Tokyo, 100-8172, Japan. KPMG AZSA LLC is a member of the Japanese Institute of Certified Public Accountants.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents selected financial information as of and for the years ended March 31, 2014, 2015, 2016, 2017 and 2018, which is derived from our consolidated financial statements. These financial statements are prepared in accordance with IFRS.

The selected consolidated financial information set forth below should be read in conjunction with Item 5. “*Operating and Financial Review and Prospects*” in this registration statement and our consolidated financial statements and notes thereto included in this registration statement.

	As of and for the fiscal year ended March 31,				
	2014	2015	2016	2017	2018
	(billions of yen and thousands of shares, except for per share data)				
Selected Statements of Operations Data:					
Revenue	¥ 1,691.7	¥ 1,777.8	¥ 1,807.4	¥ 1,732.1	¥ 1,770.5
Operating profit (loss)	139.3	(129.3)	130.8	155.9	241.8
Share of profit (loss) of investments accounted for					
using the equity method	1.0	1.3	(0.0)	(1.5)	(32.2)
Profit (loss) before tax	158.9	(145.4)	120.5	143.3	217.2
Net profit (loss) for the year	109.6	(143.0)	83.5	115.5	186.7
Net profit (loss) attributable to owners of the					
Company	106.7	(145.8)	80.2	114.9	186.9
Per share amounts					
Basic earnings (losses)	¥ 135.10	¥ (185.37)	¥ 102.26	¥ 147.15	¥ 239.35
Diluted earnings (losses)	134.95	(185.37)	101.71	146.26	237.56
Cash dividends	180.00	180.00	180.00	180.00	180.00
Cash dividends in U.S. dollars ⁽¹⁾	\$ 1.75	\$ 1.50	\$ 1.60	\$ 1.62	\$ 1.69
Selected Statements of Financial Position Data:					
Total assets	¥ 4,569.1	¥ 4,296.2	¥ 3,824.1	¥ 4,346.8	¥ 4,106.5
Total equity	2,540.6	2,206.2	2,011.2	1,949.0	2,017.4
Share capital	63.6	64.0	64.8	65.2	77.9
Other Data:					
Number of shares outstanding at end of period	789,681	789,924	790,284	790,521	794,688

Note:

- (1) Calculated using the Japanese yen—U.S. dollar exchange rate as of March 31 of each year, based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

B. Capitalization and Indebtedness.

The following table shows our capitalization and indebtedness as of March 31, 2018.

The following capitalization table should be read in conjunction with Item 5 of this registration statement and our audited consolidated financial statements included in this registration statement.

	As of March 31, 2018
	(billions of yen)
Debt:	
Bonds	¥ 172.9
Loans	812.8
Total debt	¥ 985.7
Equity:	
Share capital	¥ 77.9
Authorized—3,500,000,000 shares	
Issued—794,688,295 shares	
Share premium	90.7
Treasury shares	(74.4)
Retained earnings	1,557.3
Other components of equity	350.6
Other comprehensive income related to assets held for sale	(4.8)
Equity attributable to owners of the Company	1,997.4
Non-controlling interests	20.0
Total equity	¥2,017.4
Total capitalization and indebtedness	¥3,003.1

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Any investment in our ADSs involves risk. Prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment decision with respect to our ADSs. If any of the following risks actually occurs, it could have a material adverse effect on our business, financial condition, results of operations and future prospects, and the market value of our ADSs may be adversely affected.

The risks discussed below are those that we believe are material, but these risks and uncertainties may not be the only risks that we face. Additional risks that are not known to us at this time, or that are currently believed to be not material, could also have a material adverse effect on our business, financial condition, results of operations, future prospects and the value of our ADSs.

Risks Relating to the Shire Acquisition

The Shire Acquisition will be effected pursuant to a Scheme of Arrangement (the “Scheme”) under Article 125 of the Jersey Companies Law. As of the date of this registration statement, substantially all of the conditions to the completion of the Shire Acquisition have been fulfilled, including the respective relevant approvals of our and Shire’s shareholders at our respective shareholders’ meetings on December 5, 2018, and the receipt of relevant antitrust clearances. Pending the sanction of the Royal Court of Jersey, and conditional upon our submission of an application for listing of the new shares of our common stock to be issued as consideration for the Shire Acquisition by no later than three weeks before the effective date of the Scheme to the Tokyo Stock Exchange and other local Japanese stock exchanges, with no objection having been received, and the approval by the New York Stock Exchange (the “NYSE”) of our ADRs for listing, subject to official notice of issuance, we intend that completion of the Shire Acquisition will take place on or around January 8, 2019. For more information on the Shire Acquisition, see “Item 4. Information on the Company—A. History and Development of the Company—Shire Acquisition.” The Shire Acquisition and its pending completion subject us to the following risks.

The consideration payable by us for the Shire Acquisition is not subject to adjustment due to changes in the relative prices of our and Shire’s common shares.

Under the terms of the Shire Acquisition, each Shire shareholder is entitled to receive \$30.33 in cash and either 0.839 New Takeda shares or 1.678 Takeda ADSs for each share of Shire. The amount of consideration to which each Shire shareholder is entitled is not subject to adjustment based on fluctuations in the market price for our common stock relative to the market price for Shire’s ordinary shares. If the price of the shares of our common stock increases relative to Shire’s, the aggregate value of the consideration payable by us may be more than expected. The amount of consideration to be paid by us is also not subject to adjustments for fluctuations in foreign exchange rates.

We will be required to commit substantial time and resources to successfully complete the Shire Acquisition.

The process of and preparations for the closing of the Shire Acquisition will require a significant commitment of time and resources, including the involvement of senior members of our management team and key employees from across our corporate structure and various business units worldwide and the retainer of a number of financial, accounting, legal and other advisors. We have incurred and expect to continue to incur substantial transaction costs, such as fees paid to legal, financial, accounting and other advisors and other fees paid in connection with the acquisition, in the current fiscal year and in future fiscal years. In the six months ended September 30, 2018, we recorded ¥7.9 billion of acquisition-related costs, such as advisory fees, as a component of selling, general and administrative expenses, ¥3.2 billion of restructuring expense in other expenses and ¥8.8 billion of finance expense relating to the arrangement of commitments to finance the Shire Acquisition, and we expect to incur further costs in future periods. We expect that the costs related to the Shire Acquisition to be incurred in the fiscal year ending March 31, 2019 will be between ¥40.0 billion and ¥60.0 billion. This estimate does not include integration costs, interest on indebtedness and other financial expenses, as the amount of those expenses is dependent on the timing of the completion of the Shire Acquisition. The preparations required to achieve the closing may divert management’s attention from other strategic opportunities and from the day-to-day operation of our business.

We may fail to realize the anticipated benefits of the Shire Acquisition.

The ultimate success of the Shire Acquisition depends on our ability to realize the anticipated growth opportunities and synergies leading to cost savings we expect from combining the businesses. Even following the completion of the Shire Acquisition, it will be necessary for us to continue to devote significant time and resources to the reorganization of our personnel structure, enhancement of cost-efficiency and the strengthening of management and operational functions in order to realize the anticipated synergies from the integration of

Takeda's and Shire's businesses. We expect to incur non-recurring cash costs totaling approximately \$2.4 billion in connection with the integration of Shire in the first three fiscal years following the completion of the Shire Acquisition. The expected synergies and the projected cash costs necessary to achieve them may be affected by changes in the overall economic, political and regulatory environment, including applicable tax regimes and fluctuations in foreign exchange rates, and the realization of the other risks relating to our business described herein. Furthermore, the integration process may divert management's attention from other strategic opportunities and the day-to-day operation of our business. If we are not able to successfully manage the integration process and create a unified business culture, the anticipated benefits of the acquisition and subsequent integration may not be realized fully or at all or may take longer or prove more costly to realize than expected.

We may face significant challenges in integrating the organizations, business cultures, procedures and operations of Takeda and Shire, including:

- integrating personnel, operations and systems, such as research and development, manufacturing, distribution, marketing and promotional activities and information technology systems, while maintaining focus on selling and promoting existing and newly acquired or produced products;
- inability to realize expected benefits from newly acquired or produced products, including pipeline products under development;
- coordinating and integrating geographically dispersed organizations;
- changes or conflicts in the standards, controls, procedures and accounting and other policies, as well as business cultures and compensation structures;
- the need to manage, train and integrate Shire's personnel, who may have limited experience with the respective companies' business lines and products, and to retain existing employees, particularly high-skilled or other key employees and senior members of the management team;
- maintaining and growing Shire's customer base;
- incremental tax exposure based on the differences in our corporate structure and Shire's;
- maintaining business relationships with suppliers, third-party alliance partners and other key counterparties; and
- inefficiencies associated with the integration and management of the operations of the two companies.

Furthermore, in connection with the Shire Acquisition, we expect to record significant amounts of goodwill and intangible assets. If we are unable to achieve the anticipated benefits of this acquisition, we could be required to recognize significant impairment losses related to such goodwill and intangible assets, potentially up to their full value. Additionally, because we intend to issue a significant number of additional shares of our common stock as part of the consideration for the Shire Acquisition, a failure to achieve the anticipated benefits of the Shire Acquisition could negatively affect our earnings per share.

We have substantial debt, and expect to incur significant additional debt in connection with the Shire Acquisition, which may limit our ability to execute our business strategy, refinance existing debt or incur new debt, and if we are unable to meet our goals for deleveraging after the Shire Acquisition, we could be at a greater risk of a downgrade of our credit ratings.

Our consolidated bonds and loans were ¥985.7 billion as of March 31, 2018. In connection with the Shire Acquisition, on May 8, 2018, we entered into a dollar-denominated 364-Day Bridge Credit Agreement (the "Bridge Credit Agreement"), with aggregate commitments of \$30.85 billion, to finance a portion of the funds required for the Shire Acquisition. Subsequently, on June 8, 2018, we entered into a Term Loan Credit

Agreement (the “Term Loan Credit Agreement”) with an aggregate commitment of \$7.5 billion, and reduced commitments under the Bridge Credit Agreement by the same amount. On October 26, 2018, we entered into a Senior Short Term Loan Facility Agreement (the “SSTL”), with aggregate commitments of ¥500.0 billion, and reduced the commitments under the Bridge Credit Agreement by \$4.5 billion. On November 21, 2018, we issued a total aggregate principal amount of €7.5 billion of senior notes, followed by an aggregate principal amount of \$5.5 billion of senior notes on November 26, 2018 (the offering of the euro-denominated notes and the dollar-denominated notes together, the “2018 Notes”). We subsequently reduced the commitments under the Bridge Credit Agreement in reference to the net aggregate principal amount of the 2018 Notes. On December 3, 2018, we entered into a loan agreement with the Japan Bank for International Cooperation (the “JBIC Loan”) for an aggregate principal amount of up to \$3.7 billion, and subsequently reduced the commitments under the Bridge Credit Agreement by the same amount. We expect to draw down on the commitments to the Term Loan Credit Agreement, the SSTL and the JBIC Loan at the time of the closing of the Shire Acquisition. Furthermore, following the completion of the Shire Acquisition, we may refinance all or a portion of the amounts borrowed under the SSTL pursuant to a Subordinated Syndicated Loan Agreement (the “Subordinated Loan Agreement”) entered into on October 26, 2018, with aggregate commitments of ¥500.0 billion, subject to our ability to obtain alternative financing.

Moreover, subject to any potential refinancing, or repurchases completed prior to the closing (if any), following the Shire Acquisition, Shire’s consolidated borrowings and capital leases, which totaled \$15.3 billion as of September 30, 2018, would be included in our consolidated balance sheet. This significant amount of aggregate debt and the substantial amount of cash required for payments of interest and principal could adversely affect our liquidity. Furthermore, we are required to comply with certain covenants within various financing arrangements and violations of such covenants may require the acceleration and immediate repayment of the indebtedness, which may in turn have a material adverse effect on our financial condition.

We may desire to or be required from time to time to incur additional borrowings, including refinancing any of the Term Loan Credit Agreement, the SSTL or any other indebtedness to be incurred in connection with the Shire Acquisition and settlement of Shire’s existing indebtedness. In particular, any amounts borrowed under the Bridge Credit Agreement will mature 90 days from the date, following the day after completion of the Shire Acquisition, when all conditions precedent to drawing under the Bridge Credit Agreement are satisfied or waived in accordance with the terms of the Bridge Credit Agreement, requiring us to repay, whether by cash on hand or from other sources, such as dispositions, or to refinance such borrowings soon after they are incurred. We may also be unsuccessful in pursuing a refinancing alternative to the SSTL other than the Subordinated Loan Agreement. Our ability to arrange a re-financing will depend on our financial position and performance, prevailing market conditions and other factors beyond our control.

We aim to decrease our leverage following the Shire Acquisition, with a target ratio of net debt to Adjusted EBITDA of 2.0x or less within three to five years following completion of the Shire Acquisition, and are considering selected disposals of non-core assets to increase the pace of deleveraging. However, we may not be able to meet these goals if we are unable to sufficiently decrease our overall indebtedness, or if we are unable to achieve sufficient increases in earnings to offset our increased levels of debt. We may also not be successful in selecting non-core assets for disposal, and disposals may affect our business, financial condition or results of operations adversely, leading to larger-than-expected decreases in earnings. We may also not be able to dispose of such assets successfully in a manner that allows us to meet our goals or at all.

If we are unable to decrease our leverage, we may be subject to additional ratings actions by third-party ratings agencies. For example, in May 2018, Moody’s (Japan) K.K. lowered our credit rating to A2 from A1, reflecting its expectations for our overall levels of leverage in the future, even in the absence of the Shire Acquisition. In addition, in May 2018, S&P Global Ratings announced that it was reviewing our credit ratings with a view to a potential downgrade due to our decision to acquire Shire. Any future downgrades may negatively influence the terms for the refinancing of our existing debt or new borrowings on terms that we would consider to be commercially reasonable.

The unaudited pro forma condensed combined financial data presented herein is not necessarily representative of our actual or future financial performance.

The unaudited pro forma condensed combined balance sheet and statement of income as of and for the fiscal year ended March 31, 2018 included in this registration statement have been prepared in accordance with the relevant requirements of Article 11 of Regulation S-X and Form 20-F for illustrative purposes only, and show the effect of:

- the Shire Acquisition;
- the financing obtained by us to fund the cash portion of the acquisition consideration, reflecting the drawdown of commitments under the Term Loan Credit Agreement, the SSTL and the JBIC Loan and the issuance of the 2018 Notes; and
- the issuance of shares of our common stock to shareholders of Shire, including shares represented by ADSs.

The unaudited pro forma condensed combined balance sheet gives effect to these transactions as if they had occurred on March 31, 2018, while the unaudited pro forma condensed combined statement of income gives effect to these transactions as if they had occurred on April 1, 2017.

The unaudited pro forma condensed combined financial information has been derived from the audited historical financial statements of Takeda and Shire, and certain adjustments and assumptions have been made regarding the combined company after giving effect to the Shire Acquisition. The amount of consideration to be recorded on our financial statements will vary based on the exchange rate at the date of the closing of the Shire Acquisition and the value of our and Shire's respective shares. The terms and conditions of the financing that will be used to fund the Shire Acquisition, including the amount of debt we actually incur, have not been finally determined and are subject to change. The unaudited pro forma condensed combined financial information does not include, among other things, adjustments relating to costs expected to be incurred in relation to restructuring or integration activities, estimated synergies, the effect of any refinancing of borrowings incurred in connection with the Shire Acquisition (including any drawdowns of the Subordinated Loan Agreement) or existing indebtedness of either of Takeda or Shire or other potential items that are currently not factually supportable and, in the case of the unaudited pro forma condensed combined statement of income, expected to have a continued impact on our results following the completion of the Shire Acquisition. Certain assets and liabilities of Shire have been measured at fair value based on preliminary estimates using assumptions that we believe are reasonable, utilizing information currently available. The process for estimating the fair value of acquired assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. These estimates may be revised and may include additional assets acquired or liabilities assumed as additional information becomes available and as additional analyses are performed. Differences between preliminary estimates in the unaudited pro forma condensed combined financial information and the final acquisition accounting may occur and could be material.

In addition, the assumptions used in preparing the unaudited pro forma condensed combined financial information may not prove to be accurate. Such assumptions can be adversely affected by known or unknown facts, risks and uncertainties, many of which are beyond our or Shire's control. Other factors may also affect the combined company's financial condition or results of operations following the closing of the Shire Acquisition. In addition, following the closing of the Shire Acquisition, the financial position and results of operations of Shire, which are reported under U.S. GAAP, will be converted to IFRS for inclusion in our consolidated financial position and results of operations, which are reported under IFRS. The unaudited pro forma condensed combined financial information presents the effect of such conversion based on the information available to us as of the date hereof. We expect further information to become available to us after the completion of the Shire Acquisition, and the adjustments actually made to convert Shire's financial information to IFRS may vary in material ways from the assumptions made in the unaudited pro forma condensed combined financial information contained in this registration statement.

We will be subject to additional risks arising from the acquired businesses of Shire and from the legal, regulatory and tax regimes that Shire operates under.

Following the completion of the Shire Acquisition, we will assume the risks related to Shire's businesses, which differ from, or will amplify, certain risks we currently face. For example, markets outside Japan, particularly the United States, represent a larger portion of Shire's business than ours, and we therefore expect our overall exposure to these markets to increase following the completion of the Shire Acquisition. As with our products, Shire's products are subject to competition from generic or other competing products, and the successful introduction of such competitors or the invalidation of patent protections over Shire's products could materially and adversely affect the products acquired. Additionally, Shire operates in certain businesses that we currently do not, including rare diseases and plasma-derived therapies. These businesses will present new or unfamiliar challenges to us. Shire's plasma-derived therapies in particular present significant challenges relating to the sourcing, production and transportation of plasma, all of which are complex and subject to extensive regulation, in addition to being capital intensive. If we are unable to manage this new business effectively, we may lose market share or customer confidence, be required to pursue additional manufacturing capability or sourcing (or, in the case of an oversupply, lower prices charged, record impairment charges on facilities or inventory or close certain facilities) or take other actions which could materially and adversely affect the plasma-derived therapies business.

Furthermore, we will be subject to additional legal, regulatory and tax regimes that Shire operates under, many of which are complex and could subject us to additional risks or liabilities. For example, Shire is subject to evolving and complex tax laws in various jurisdictions and routinely obtains advice on tax matters, including the tax treatment of the break fee of \$1.635 billion it received in connection with the terminated offer to acquire Shire made by AbbVie, Inc. in 2014. In this respect, the Irish Revenue issued an assessment received by Shire on December 4, 2018 for €398 million on the basis that the break fee was a taxable capital gain. Based on continued advice that no tax liability should arise from the break fee, Shire intends to appeal this assessment. In addition, in connection with its 2016 acquisition of Baxalta Inc. ("Baxalta"), Shire has agreed to indemnify Baxter International Inc., its affiliates and each of their respective officers, directors and employees against certain tax-related losses if the merger of Baxalta and Shire causes the prior spin-off of Baxalta by Baxter and related transactions to fail to qualify as tax-free. Although Shire received an opinion of tax counsel that the merger will not cause such prior transactions to fail to qualify as tax-free, such opinion is not binding on the tax authorities and the potential tax indemnification obligations are not limited in amount.

If we are unable to effectively manage these additional risks, our business, results of operations or financial conditions following the completion of the Shire Acquisition could be materially and adversely affected.

Risks Relating to Our Business

Research and development of pharmaceutical products are expensive and subject to significant uncertainties, and we may be unsuccessful in bringing commercially successful products to market or recouping development costs.

Our ability to continue to grow our business depends significantly on the success of our research and development activities in identifying, developing and successfully commercializing new products in a timely and cost-effective manner. To accomplish this, we commit substantial efforts, funds and other resources to research and development, both through our in-house resources and through collaborations with third parties. However, research and development programs for new products by pharmaceutical companies are expensive and involve intensive preclinical evaluation and clinical trials in connection with a highly complex and lengthy regulatory approval process. See "—If we fail to comply with government regulations, regulatory approvals and reimbursement requirements, our business could be adversely affected." The research and development process for a new pharmaceutical product also requires us to attract and retain sufficient numbers of highly-skilled employees and can take up to 10 years to 15 years or longer from discovery to commercial launch. Moreover, even if we successfully develop and bring to market new products, there is only a limited available patent life in which to recoup these development costs.

During each stage of the approval process and post-approval life cycle of our products, there is a substantial risk that we will encounter serious obstacles including the following:

- unfavorable results from preclinical testing of a new compound;
- difficulty in enrolling patients in clinical trials, or delays or clinical trial holds at clinical trial sites;
- delays in completing formulation and other testing and work necessary to support an application for regulatory approval;
- adverse reactions to the product candidate or indications of other safety concerns;
- insufficient clinical trial data to support the safety or efficacy of the product candidate;
- difficulty or delays in obtaining all necessary regulatory approvals in each jurisdiction where we propose to market such products;
- failure to bring a product to market prior to a competitor, or to develop a product sufficiently differentiated from a competing product to achieve significant market share;
- difficulty in obtaining reimbursement at satisfactory rates for our approved products from governments and insurers;
- difficulty in obtaining regulatory approval for additional indications;
- failure to enter into or implement successful alliances for the development and/or commercialization of products;
- inability to manufacture sufficient quantities of a product candidate for development or commercialization activities in a timely or cost-efficient manner;
- even after we obtain regulatory approval for and commercialize a product, such product and its manufacturer are subject to continual regulatory review, and any discovery of previously unknown problems with the product or the manufacturer may result in imposition of restrictions or recalls, including withdrawal of the product from the market; and
- the degree of market acceptance of any approved product candidate by the medical community, including physicians, healthcare professionals and patients, will depend on a number of factors, including relative convenience and ease of administration, the prevalence and severity of any adverse reactions, availability of alternative treatments, pricing and our sales and marketing strategy.

In addition, to the extent that new regulations raise the costs of obtaining and maintaining product authorizations, or limit the economic value of a new product to its originator, our profitability and growth prospects could be diminished. Development of new and innovative products can also require the use of emerging platforms and technologies for which regulations either do not yet exist or are under development or modification. This may lead to greater uncertainty and risk in establishing the necessary data for approvals to conduct clinical trials and/or receiving marketing approvals.

As a result of the foregoing or other factors, we may decide to abandon the development of potential pipeline products in which we have invested significant resources, even where the product is in the late stages of development. Moreover, there can also be no assurance that we will be successful in bringing new products to market, marketing them, achieving sufficient acceptance thereof and recouping our investments in their development. For example, our pipeline compounds may not receive regulatory approval, become commercially successful or achieve satisfactory rates of reimbursement. Additionally, products approved for use and successfully marketed in one market may be unable to obtain regulatory approval, become commercially successful or achieve satisfactory rates of reimbursement in other markets. As a result, we may be unable to earn returns on investments that we originally anticipated or at all, or may be forced to revise our research and development strategy, and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to comply with government regulations, regulatory approvals and reimbursement requirements, our business could be adversely affected.

Obtaining marketing approval for pharmaceutical products is a lengthy, complex and highly regulated process that requires intensive preclinical and clinical data, and the approval process can vary significantly depending on the regulatory authority. Relevant health authorities may, at the time of the filing of the application for a marketing authorization, or later during their review, impose requirements that can evolve over time, including requiring additional clinical trials, and such authorities may delay or refuse to grant approval. Even where we have obtained marketing approval for a product in one or more major markets, we may need to invest significant time and resources in applying for approval in other markets, and there is no assurance that we will be able to obtain such approval. In recent years, health authorities have become increasingly focused on product safety and on the risk/benefit profile of pharmaceutical products, which could lead to more burdensome and costly approval processes and negatively affect our ability to obtain regulatory approval for products under development. For example, the U.S. Food and Drug Administration (the “FDA”), the European Medicines Agency (the “EMA”), and the Pharmaceuticals and Medical Devices Agency (the “PMDA”), have been implementing strict requirements for approval, particularly in terms of the volume of data needed to demonstrate a product’s efficacy and safety.

Even after regulatory approval is obtained, marketed products are subject to various post-approval requirements, including continual review, risk evaluations, comparative effectiveness studies and, in some cases, requirements to conduct post-approval clinical trials to gather additional safety and other data. Regulatory authorities in many countries have worked to enhance post-approval monitoring in recent years, which has increased post-approval regulatory burdens. Post-regulatory approval reviews and data analyses can lead to the issuance of recommendations by government agencies, health professional and patients or other specialized organizations regarding the use of products; for example, a recommendation to limit the patient population of a drug’s indication, the imposition of marketing restrictions, including changes in product labeling, or the suspension or withdrawal of the product. Any such action can result in reductions in sales volume and/or new or increased concerns about the adverse reactions or efficacy of a product. These substantial regulatory requirements have, over time, increased the costs associated with maintaining regulatory approvals and achieving reimbursement for our products.

If the regulatory approval process or post-approval, reimbursement or other requirements become significantly more burdensome in any of our major markets, we could become subject to increased costs and may be unable to obtain or maintain approval to market our products. Any such adverse changes could materially and adversely affect our business, results of operations or financial condition.

The expiration or loss of patent or regulatory data protection over our products or patent infringement by generic manufacturers could lead to significant competition from generic versions of the relevant product and lead to declines in market share and price levels of our products.

Our pharmaceutical products are generally protected for a defined period by various patents (including those covering drug substance, drug product, approved indications, methods of administration, methods of manufacturing, formulations and dosages) and/or regulatory exclusivity, which are intended to provide us with exclusive rights to market the products for the life of the patent or duration of the regulatory data protection period. The loss of market exclusivity for pharmaceutical products opens such products to competition from generic substitutes that are typically priced significantly lower than the original products, which typically adversely affects the market share and prices of the original products.

Generic substitutes have high market shares in a number of key markets, including the United States, Europe and many emerging countries, and the adverse effects of the launch of generic products are particularly significant in such markets. The introduction of generic versions of a pharmaceutical product typically leads to a swift and substantial decline in the sales of the original product. Our active life cycle management efforts cannot

fully mitigate the impact of competition from generics. In the United States and the EU, for example, political pressure to reduce spending on prescription drugs has led to legislation and other measures that encourage the use of generic products. In Japan, the government is implementing various measures to control drug costs, including by encouraging medical practitioners to use and prescribe generic drugs, and in June 2017 announced its intention to raise generic drug penetration with respect to products for which market exclusivity has expired to 80% by volume by September 2020. Legislation has also been passed in the United States and Europe encouraging the use of biosimilar products. Similar to generics, biosimilars aim to provide less expensive versions of innovative biologic products. New legislation has provided abbreviated pathways for the approval and marketing of biosimilar products, which may affect the profitability and commercial viability of our biologic products.

Certain of our products have begun to, or are expected over the next several years to, face declining sales due to the loss of market exclusivity. For example, following the expiration of patent protection over bortezomib, the active ingredient in *VELCADE*, one of our largest selling products in the United States, a competing bortezomib-containing product has been introduced. This has led to a decrease in sales of *VELCADE*, and further entry of competing products could result in substantial additional declines. Such decreases may accelerate following the scheduled expiration of patent protection over the formulation of *VELCADE* in 2022, or earlier if a competitor is able to develop a way to formulate *VELCADE* in a manner that does not infringe the relevant patent or succeed in getting the formulation patent invalidated. In addition, as patent protection has expired for *PANTOPRAZOLE* in many major markets including the United States and the EU, sales of *PANTOPRAZOLE* have continued to decline in those markets.

We may also be subject to competition from generic drug manufacturers prior to the expiration of patents if a manufacturer successfully challenges the validity of our patents, or if the manufacturer believes that the benefits of launching the generic drug “at risk” (prior to the expiration of our patent) outweigh the costs of defending infringement litigation. If such a competitor launches a generic product “at risk” before the initiation or completion of court proceedings, a court may decline to grant us a preliminary injunction to halt further “at risk” sales and remove the infringing product from the market. While we may be entitled to obtain damages subsequently, the amount we may ultimately be awarded and able to collect may be insufficient to compensate for the loss of sales and other harm caused to us. Furthermore, if we lose patent protection as a result of an adverse court decision or a settlement, in certain jurisdictions, we may face the risk that government and private third party payers and purchasers of pharmaceutical products may claim damages alleging they have over-reimbursed or overpaid for a drug.

If our patent and other intellectual property rights are infringed by generic drug manufacturers or other third parties, we may not be able to take full advantage of the potential or existing demand for our products. The protection that we are able to obtain for our prescription drugs varies from product to product and country to country and may not always be sufficient because of local variations in issued patents, or differences in national law or legal systems, including inconsistency in the enforcement or application of law and limitations on the availability of meaningful legal remedies. In particular, patent protection in emerging markets is often less certain than in developed markets. Certain countries may also engage in compulsory licensing of pharmaceutical intellectual property to other manufacturers as a result of local political pressure. Furthermore, the attention of our management and other personnel could be diverted from their normal business activities if we decide to litigate against such infringement. The realization of any such risks could adversely and materially affect our business, financial condition and results of operations.

We are subject to the risk of intellectual property infringement claims directed to us by third parties.

We are also subject to the risk of infringement claims directed at us by third parties. Although we monitor our operations to prevent infringement on the intellectual property rights of third parties, if we are found to have infringed the intellectual property rights of others or if we agree to settle infringement claims, we may be required to recall the relevant products, terminate manufacturing and sales of such products, pay significant damages or pay significant royalties.

We evaluate any such infringement claims to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, and in keeping with applicable accounting and disclosure standards, we establish reserves and/or disclose the relevant litigation claims or decide not to establish reserves or disclose. These assessments and estimates are based on the information available to our management at such time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Although the parties to such patent and intellectual property disputes in the pharmaceutical industry have often settled through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include the payment of ongoing royalties. Furthermore, the necessary licenses may not be available on acceptable terms or at all. Therefore, if we are unable to successfully defend against infringement claims by third parties, our financial results could be materially and adversely affected.

We face risks from the pursuit of acquisitions, and the anticipated benefits and synergies resulting from acquisitions may not be realized.

We regularly pursue acquisitions for a number of reasons, including strengthening our pipeline, complementing existing lines of business, adding research and development capabilities or pursuing other synergies. The pursuit of these acquisitions requires the commitment of significant management and capital resources in various stages, from the exploration of potential acquisition targets to the negotiation and execution of an acquisition to the integration of an acquired business into our own. The required commitment of time and resources may divert the attention of management or capital or other resources away from our day-to-day business. Moreover, we may not be able to recoup the investment of capital or other resources through the successful integration of acquired businesses, including the realization of any expected cost or other synergies. Specifically, we may encounter the following difficulties:

- We may face significant challenges in combining the infrastructure, management and information systems of acquired companies with ours, including integrating research and development, manufacturing, distribution, marketing and promotion activities and information technology systems.
- There may be difficulties in conforming standards, controls, procedures and accounting and other policies, as well as business cultures and compensation structures.
- We may not be able to retain key personnel at acquired companies, or our own employees may be motivated to leave due to acquisitions.
- We may not be successful in identifying and eliminating redundancies and achieving other cost savings as expected.
- We may not be able to successfully realize benefits from acquired products, including pipeline products under development.

Integrating the operations of multiple new businesses with that of our own is a complex process that requires significant management attention and resources. The integration process may disrupt our existing and other newly acquired businesses and, if implemented ineffectively, could have an adverse impact not only on our ability to realize the benefits of a given acquisition but also on the results of our existing operations. Integration-related risks may be heightened in cases where acquired businesses' operations, employees or customers are located outside our major markets and we incur higher costs than anticipated due to regulatory changes, environmental factors or foreign exchange fluctuations. We continue to pursue strategic business acquisitions globally as a key part of our continuous growth strategy. If we are not able to achieve the anticipated benefits of any future acquisitions in full or in a timely manner, we could be required to recognize impairment losses, we may not be able to recoup our investment, and our business, financial position and results of operations could be materially and adversely affected. Particularly, we may be unable to achieve the expected revenues pursuant to licensing, co-promotion or co-development agreements or collaborations. We may also assume unexpected

contingent or other liabilities, or be required to mark up the fair value of liabilities (or mark down the fair value of assets) acquired upon the close of an acquisition.

Our operating results and financial condition may fluctuate due to a number of factors and may not be comparable across periods.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year for a number of reasons, including acquisitions, divestitures, major product launches, patent expiration or expiration of regulatory data protection for key products and other reasons. In particular, as part of our efforts to refocus our business portfolio, we have recently entered into a number of significant transactions that are expected to affect our results of operations, including:

- the Shire Acquisition, if closed successfully;
- the acquisition of TiGenix NV in July 2018;
- the divestment of Wako Pure Chemical Industries, Ltd. (“Wako Pure Chemical”), one of our consolidated subsidiaries, to FUJIFILM Corporation in April 2017;
- the acquisition of ARIAD Pharmaceuticals, Inc. (“ARIAD”) in February 2017;
- the sale of our respiratory business to AstraZeneca plc (“AstraZeneca”) in April 2016; and
- the transfer of certain long-listed products, consisting of products for which patent protection and regulatory data protection have expired, to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd., in April 2016, and the subsequent sale of seven additional long-listed products in May 2017.

We intend to continue to pursue both acquisitions of new businesses and dispositions of existing businesses in the future. As a result, period-to-period comparisons of our results of operations may not always be directly comparable, and these comparisons should not be relied upon as an indication of future performance. Our operating results and financial condition are also subject to fluctuations from the risks described throughout this section.

We have significant global operations, which expose us to additional risks.

Our global operations, which encompass more than 70 countries in diverse regions across the world, are subject to a number of risks, including the following:

- difficulties in monitoring and coordinating research and development, marketing, supply-chain and other operations in a large number of jurisdictions;
- risks related to various laws, regulations and policies, including those implemented following changes in political leadership and trade, capital and exchange controls;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries;
- varying standards and practices in the legal, regulatory and business cultures in which we operate, including potential inability to enforce contracts or intellectual property rights;
- trade restrictions and changes in tariffs;
- complex sanctions regimes in various countries such as the United States, the EU and other jurisdictions, violations of which could lead to fines or other penalties;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationship between Japan and the other countries and regions in which we operate;

- acts of terrorism, war, epidemics and other sources of social disruption; and
- difficulties associated with managing local personnel and preventing misconduct by local third-party alliance partners.

Any one or more of these or other factors could increase our costs, reduce our revenues, or disrupt our operations, with possible material adverse effects on our business, financial condition and results of operations. Even prior to the announcement of the Shire Acquisition, further expansion overseas has been one of our key strategies, and, in the fiscal year ended March 31, 2018, regions outside of Japan accounted for 67.2% of our consolidated revenue, with the United States in particular contributing 33.8% of consolidated revenue. We expect that markets outside Japan, particularly the United States and also Europe, Canada and emerging markets, will continue to be increasingly important to our business and results of operations, increasing the likelihood that any of these risks is realized.

We may not be able to realize the expected benefits of our investments in emerging markets.

We have been taking steps to grow our business in emerging markets, which we define to include Russia/Commonwealth of Independent States (“CIS”), Latin America, Asia (excluding Japan) and Other (including the Middle East, Oceania and Africa). Our revenue from emerging markets was ¥278.1 billion (or 15.7% of our total revenue) for the fiscal year ended March 31, 2018, and we intend to pursue further growth in such emerging markets.

However, there is no guarantee that our efforts to expand sales in emerging markets will succeed. Some countries may be especially vulnerable to periods of global financial instability or may have very limited resources to spend on healthcare. In order to successfully implement our emerging markets strategy, we must attract and retain qualified personnel, despite the possibility that some emerging markets may have a relatively limited number of persons with the required skills and training. We may also be required to increase our reliance on third-party agents within less-developed markets, which may put us at increased risk of liability. In addition, many emerging markets have currencies that fluctuate substantially, and if such currencies are devalued and we cannot offset the devaluations, our financial performance in such countries may be adversely affected. Further, many emerging markets have relatively weak intellectual property protection and inadequate protection against crime, including counterfeiting, corruption and fraud. Operations in certain emerging countries, where corruption may be more prevalent than in more developed countries and where internal compliance practices may not be well established, may also pose challenges from a legal and regulatory compliance perspective.

For reasons including but not limited to the above, sales within emerging markets carry significant risks, and the realization of such risks could have a material adverse effect on our business, financial condition and results of operations.

We depend on our “growth driver” products to support out future growth, and any events that adversely affect the markets for these products may adversely affect our business, financial condition and results of operations.

Our future growth depends largely on our “growth drivers,” which we define as products in our core therapeutic areas of gastroenterology (“GI”), oncology and neuroscience, as well as emerging markets. As a result of our focus on these therapeutic areas and markets, any event that adversely affects products aimed at these therapeutic areas or markets could have a material and adverse effect on our business, financial condition and results of operations. These events could include discovery of previously unknown adverse reactions, loss of intellectual property protection, increased costs associated with manufacturing, supply chain issues or product shortages, regulatory proceedings, changes in labeling, publicity affecting doctor or patient confidence in the product, material product liability litigation and introduction of new, more effective treatments.

Our results of operations and financial condition may be adversely affected by foreign currency exchange rate fluctuations.

We manufacture and sell products to customers in numerous countries, and we have entered and will enter into acquisition, licensing, borrowings or other financial transactions that give rise to translation and transaction risks related to foreign currency exposure. Fluctuations in currency exchange rates in the markets where we are active could negatively affect our results of operations, financial position and cash flows. For the fiscal year ended March 31, 2018, 67.2% of our sales were in markets outside Japan, and we expect this proportion to be even higher for subsequent fiscal periods, due to anticipated increases in overseas sales of growth driver products and the contribution of Shire's results to our results of operations, particularly in the U.S. market. Our consolidated financial statements are presented in Japanese yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, operating profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. For example, an increase in the value of Japanese yen relative to the other currencies that we operate in, particularly the U.S. dollar and the euro, during the fiscal year ended March 31, 2017 was a significant downward factor that contributed to a decrease in consolidated revenue, presented in Japanese yen, from the fiscal year ended March 31, 2016. In the fiscal year ended March 31, 2018, this trend reversed, but increases in the strength of the yen in future years may similarly negatively affect our results of operations.

We utilize certain hedging measures with respect to some of our foreign currency transactions. However, such hedging measures do not cover all of our exposures and, even to the extent they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

We may not be able to adequately expand our product portfolio through third-party alliance arrangements.

We expect that we will continue to rely on third parties for key aspects of our business, including the discovery and development of new products, in-licensing products and the marketing and distribution of approved products. A major part of our research and development strategy is to enhance collaborations with third parties in the biotechnology industry, academia and the public sector, and we believe that the overall strength of our research and development program and product pipeline depends on our ability to identify and initiate partnerships, acquisitions, in-licensing arrangements and other collaborations with third parties. For example, a number of our key products, including *ADCETRIS*, *TRINTELLIX* and *AMITIZA*, are in-licensed products developed through alliances with third parties. However, there can be no assurance that any of our third-party alliances will lead to the successful development and marketing of new products. Moreover, reliance on third-party alliances subjects us to a number of risks, including:

- We may be unable to identify suitable opportunities at a reasonable cost and on terms that are acceptable to us due to active and intense competition among pharmaceutical groups for alliance opportunities or other factors.
- Entering into in-licensing or partnership agreements may require the payment of significant "milestones" well before the relevant products are placed in the market, without any assurance that such investments will ultimately become profitable in the long term.
- When we research and market our products through collaboration arrangements, the performance of certain key tasks or functions are the responsibility of our collaboration partners, who may not perform effectively or otherwise meet our expectations.
- Decisions may be under the control of or subject to the approval of our collaboration partners, and we may have differing views or be unable to agree upon an appropriate course of action. Any conflicts or difficulties that we may have with our partners during the course of these agreements or at the time of their renewal or renegotiation or any disruption in the relationships with our partners may affect the development, launch and/or marketing of certain of our products or product candidates.

In addition, a licensor may attempt to terminate its license agreement with us or elect not to renew it to pursue other marketing opportunities. Our licensors could also merge with or be acquired by another company, or experience financial or other setbacks unrelated to our licensing arrangements. Any of these events may force us to abandon a development project and adversely affect our ability to adequately expand or maintain our product portfolio.

Our reliance on third parties for the performance of key business functions, particularly research and development and product commercialization, heightens the risks faced by our business.

We rely on suppliers, vendors and partners, including alliances with other pharmaceutical companies, for key aspects of our business, including research and development, manufacture and commercialization of products, support for information technology systems and certain human resource functions. We do not control these partners, but we depend on them in ways that may be significant to us. If these parties fail to meet our expectations or fulfill their obligations to us, we may fail to receive the expected benefits. In addition, if any of these third parties fails to comply with applicable laws and regulations in the course of its performance of services for us, there is a risk that we may be held responsible for such violations as well. This risk is particularly serious in emerging markets, where corruption is often prevalent and where many of the third parties on which we rely do not have internal compliance resources comparable to our own. Any such failures by third parties, in emerging markets or elsewhere, could adversely affect our business, reputation, financial condition or results of operations.

We are involved in litigation relating to our operations on an ongoing basis, and such litigation could result in financial losses or harm our business.

We are involved in various litigation relating to our operations on an ongoing basis, including claims related to product liability and intellectual property as well as to antitrust, sales and marketing and other regulatory regimes. Given the inherent unpredictability of litigation, it is possible that an adverse outcome in one or more pending or future litigation matters could have a material adverse effect on our operating results or cash flows. For a description of certain ongoing litigation, see “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

Economic and financial conditions may have a material adverse effect on our business, financial condition and results of operations.

Growth of the global pharmaceutical market has become increasingly tied to global economic growth. In this context, a substantial and lasting slowdown of the global economy or major national economies could negatively affect growth in the global pharmaceutical market and, as a result, adversely affect our business. In particular, weak economic conditions can have a particularly adverse impact on pharmaceutical demand in markets having significant co-pays or lacking a developed third-party payer system, as individual patients may delay or decrease out-of-pocket healthcare expenditures. Negative economic developments could also reduce the sources of funding for national social security systems, leading to heightened pressure on drug prices, increased substitution of generic drugs, and the exclusion of certain products from formularies.

Following the global financial crisis in 2008, economic growth continues to be stagnant in major developed countries while the pace of growth in many emerging economies has declined. The referendum vote in the U.K. to leave the EU, known as “Brexit,” the transition to a new presidential administration in 2017 and recent mid-term elections in 2018 in the United States and continued instability in the Middle East and North Korea have increased political and economic uncertainty. To the extent that economic or financial conditions weaken in any of our major operating markets, demand for our products or product pricing could be negatively affected. In addition, to the extent that economic and financial conditions negatively affect the global business environment, we could experience a disruption or delay in the performance of third parties on which we rely for parts of our business, including collaboration partners and suppliers. Such disruptions or delays could have a material and adverse effect on our business, financial condition and results of operations.

Government policies and other pressures to reduce medical costs could have an adverse effect on sales of our pharmaceutical products.

We are subject to governmental regulations mandating price controls in various countries in which we operate. The growth of overall healthcare costs as a percentage of gross domestic product in many countries means that governments and payers are under intense pressure to control spending even more tightly. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Factors Affecting Our Results of Operations—Revenue—Pricing and Government Regulation.”

In the United States, the largest market for our products, there has been increasing pricing pressure from managed care groups and institutional and governmental purchasers. In particular, as managed care groups have grown in size due to market consolidation, pharmaceutical companies have faced increased pressure in pricing and usage negotiations, and there is fierce competition among pharmaceutical companies to have their products included in the care providers’ formularies. Moreover, as a result of the Patient Protection and Affordable Care Act (the “ACA”) enacted in 2010, as amended by the Health Care and Education Reconciliation Act (together, the “U.S. Healthcare Legislation”), we have experienced heightened pricing pressure on, and limitations on access to, our branded pharmaceutical products sold in the United States. In addition, there has been increasing attention paid to the level of pricing of pharmaceutical products, including from the Trump administration and other politicians, which could lead to political pressure or legislative, regulatory or other measures being introduced to lower prices. The future of the U.S. Healthcare Legislation, as well as the potential impact of any new legislation, is uncertain, but we expect the health care industry in the United States will continue to be subject to increasing regulation as well as political and legal action.

In Japan, manufacturers of pharmaceutical products must have new products listed on the National Health Insurance (the “NHI”), price list published by the Ministry of Health, Labour and Welfare of Japan (the “MHLW”). The NHI price list provides rates for calculating the price of pharmaceutical products used in medical services provided under various public medical care insurance systems. Prices on the NHI price list have been subject to revision generally once every two years on the basis of the actual prices at which the pharmaceutical products are purchased by medical institutions in Japan after discounts and rebates from listed price. The average price of products listed on the NHI price list has decreased as a result of each of the revisions in 2014, 2016 and 2018. The Japanese government is currently undertaking healthcare reform initiatives with a goal of sustaining the universal coverage of the NHI program, and is addressing the efficient use of drugs, including promotion of generic use with a target of 80% penetration by volume by September 2020 with respect to products for which market exclusivity has expired. As part of these initiatives, the NHI price list is expected to be revised annually beginning in the fiscal year ending March 31, 2022, which could lead to more frequent downward price revisions.

In Europe, as in the United States, drug prices have been subject to downward pressure due to measures implemented in each country to control drug costs, and prices continue to come under pressure due to parallel imports, generic competition, increasing use of health technology assessment based upon cost-effectiveness and other factors. We are also facing similar pricing pressures in various emerging countries.

We expect these efforts to control costs to continue as healthcare payers around the globe, in particular government-controlled health authorities, insurance companies and managed care organizations (“MCOs”), increasingly pursue initiatives to reduce the overall cost of healthcare, restrict access to higher-priced new medicines, increase the use of generics and impose overall price revisions. Such further implementation of these policies could have a material adverse effect on our business, financial condition and results of operations.

We may have difficulty in maintaining the competitiveness of our products.

The pharmaceutical industry is highly competitive, and in order to maintain the competitiveness of our product portfolio, we are required to maintain ongoing, extensive research for technological innovations,

including new compounds, to develop and commercialize existing pipeline products, to expand our product portfolio through acquisitions and in-licensing, and to market our products effectively, including by communicating the efficacy, safety and value of our products to healthcare professionals. However, healthcare professionals and consumers may choose competitors' products over ours nonetheless, if they perceive these products to be safer, more reliable, more effective, easier to administer or less expensive. The success of any product depends on our ability to effectively communicate with and educate the healthcare professionals and patients and convince them of the advantage of our products over those of our competitors. We often carry out costly clinical trials even after our products have been launched to produce data to be utilized for these purposes, but such trials do not always produce the desired outcomes. Furthermore, many of our competitors have greater financial and other resources to conduct such trials in more detail and with larger patient populations, which may ultimately enable them to promote their products more effectively than we do.

In Japan, reduced approval times for drugs already marketed outside Japan have led to increased competition through the introduction of such drugs into the Japanese market by foreign competitors. In addition, new competing products or the development of superior medical technologies and other treatment options could make our products or technologies lose their competitiveness or become obsolete. As discussed above, our products are also subject to competition from inexpensive generic versions of our products, as well as generic versions of our competitors' products, upon the expiration or loss of related patent protection and regulatory data protection, which may result in loss of market share. If we are unable to maintain the competitiveness of our products, our business, financial position and results of operations could be materially and adversely affected.

Our products may have unanticipated adverse effects or possible adverse effects, which may restrict use of the product or give rise to product liability claims.

As a pharmaceutical company, we are subject to significant risks related to product liability. Unanticipated adverse reactions or unfavorable publicity from complaints concerning any of our products, or those of our competitors, could have an adverse effect on our ability to obtain or maintain regulatory approvals or successfully market our products, and may even result in recalls, withdrawal of regulatory approval or adverse labeling of the product.

While our products are subject to comprehensive clinical trials and rigorous statistical analysis during the development process prior to approval, there are inherent limitations with regard to the design of such trials, including the limited number of patients enrolled in such trials, the limited time used to measure the efficacy of the product and the limited ability to perform long-term monitoring. In the event that such unanticipated adverse reactions are discovered, we may be required to add descriptions of the adverse reactions as "precautions" to the packaging of our products, recall and terminate sales of products or conduct costly post-launch clinical trials. Furthermore, concerns relating to potential adverse reactions could arise among consumers or medical professionals, and such concerns, whether justified or not, could have an adverse effect on sales of our products and our reputation. We could also be subject to product liability litigation by patients who have suffered or claim to have suffered such adverse reactions resulting in harm to their health. For example, numerous claims for damages were brought against us in which plaintiffs alleged to have developed bladder cancer or other injuries as a result of taking products containing Type 2 diabetes treatment *pioglitazone*, marketed as *ACTOS* in the United States. We reached a settlement to resolve the vast majority of *ACTOS* product liability lawsuits pending against us in the United States, resulting in a charge of ¥274.1 billion in the fiscal year ended March 31, 2015. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for a description of these proceedings. We may also be subject to claims regarding manufacturing defects and labeling problems.

Although we maintain product liability insurance at coverage levels that we believe are appropriate, we could be subject to product liability that significantly exceeds such levels. Product liability coverage is also increasingly difficult and costly to obtain, and may not be available in the future on acceptable terms. Therefore, in the future, it is possible that we may need to rely increasingly on self-insurance for the management of product

liability risk. In cases where we self-insure, the legal costs that we would bear for handling such claims and potential indemnifications to be paid to claimants could materially and adversely affect our financial condition. In addition, the negative publicity from product liability claims, whether or not justified, may damage our reputation and may negatively impact the number of prescriptions of the product in question or our other products. As a result, our business, financial condition and results of operations could be materially and adversely affected.

The manufacture of our products is technically complex and highly regulated, and supply interruptions, product recalls or other production problems caused by unforeseen events may reduce sales, adversely affect our operating results and financial condition and delay the launch of new products.

The manufacture of our products is technically complex and highly regulated, and as a result we may experience difficulties or delays including but not limited to the following:

- seizure or recalls of products or shut-downs of manufacturing plants;
- problems with business continuity, including as a result of a natural or man-made disaster, at one of our facilities or at a critical supplier or vendor;
- failure by us or by any of our vendors or suppliers to comply with Current Good Manufacturing Practices and other applicable regulations and quality assurance guidelines, which could lead to manufacturing shutdowns, product shortages and delays in product manufacturing;
- problems with manufacturing, quality assurance/quality control or supply, or governmental approval delays, due to our consolidation and rationalization of manufacturing facilities and the sale or closure of certain sites;
- failure of a sole source or single source supplier to provide us with necessary raw materials, supplies or finished goods for an extended period of time, which could impact continuous supply;
- failure of a third-party manufacturer to supply us with semi-finished or finished products on time;
- construction or regulatory approval delays related to new facilities or the expansion of existing facilities;
- additional costs related to deficiencies identified by regulatory agencies in connection with inspections of our facilities, and enforcement, remedial or punitive actions by regulatory authorities if we fail to remedy any deficiencies; and
- other manufacturing or distribution problems including limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations or other business interruptions that could impact continuous supply.

Any of the above may reduce sales, delay the launch of new products, and adversely affect our business, financial condition and results of operations.

In July 2018, we acquired Tigenix NV, which develops novel stem cell therapies for serious medical conditions. The development and manufacture of stem cell products and other biologics, including products we expect to add to our portfolio following the completion of the Shire Acquisition, present heightened or additional risks. The manufacture of biologics, including stem cell products, is highly complex and is characterized by inherent risks and challenges, such as raw material inconsistencies, logistical and sourcing challenges, significant quality control and assurance requirements, manufacturing complexity (including heightened regulatory requirements) and significant manual processing. Unlike products that rely on chemicals for efficacy, such as most pharmaceuticals, biologics are difficult to characterize due to the inherent variability of biological input materials. As a result, assays of the finished product may not be sufficient to ensure that the product will perform in the intended manner. Problems with the manufacturing process, even minor deviations from the normal

process, could result in product defects or manufacturing failures that result in, among other things, lot failures, product recalls, product liability claims or insufficient inventory, which could be costly to us or result in reputational damage.

The illegal distribution and sale by third parties of counterfeit versions of our products or products stolen from us could have an adverse effect on our reputation and business.

Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards to which our products are subject. A patient who receives a counterfeit drug may be at risk for a number of dangerous health consequences. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in our products, which could have a material adverse effect on our reputation and financial results. In addition, thefts at warehouses, at plants, or in transit of inventory that is not properly stored or that is sold through unauthorized channels could adversely affect patient safety, our reputation and our results of operations.

We are increasingly dependent on information technology systems and our systems and infrastructure face the risk of theft, exposure, tampering or other intrusions.

Certain important processes relating to the research and development, production and sales of our products depend heavily on our information systems, including cloud-based computing, or those of third party providers to whom we outsource certain business functions, including the storage and transfer of critical, confidential, sensitive or personal information regarding our patients, clinical trials, vendors, customers, employees and others. The size and complexity of these computer systems make them potentially vulnerable to service interruptions, malicious intrusions and random attacks. Cyber-attacks are increasing in frequency, sophistication and intensity. Such attacks are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, “hacktivists,” nation-states and others. Cyber-attacks could include the deployment of harmful malware, denial of service attacks, worms, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. The development and maintenance of systems to safeguard against such attacks is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Despite our efforts, the possibility of a future data compromise cannot be eliminated entirely, and risks associated with intrusion, exposure, tampering, and theft remain.

If our data systems are compromised, our business operations may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished, and we may lose revenue because of unlicensed use of our intellectual property. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be injured resulting in loss of business and/or morale, and we may incur costs to remediate possible injury to our customers and employees or be required to pay fines or take other action with respect to judicial or regulatory actions arising out of such incidents. Data privacy or security breaches by employees and others with permitted access to our systems, including in some cases third-party service providers to which we may outsource certain business functions, may also pose a risk that sensitive data, including intellectual property or personal information, will be exposed to unauthorized persons or to the public.

Changes in data privacy and protection laws and regulations, particularly in Europe, or any failure to comply with such laws and regulations, could adversely affect our business and financial results.

We are subject to laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU’s General Data

Protection Regulation (the “GDPR”), which imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored, became effective on May 25, 2018. Furthermore, legislators and regulators in the United States are proposing new and more robust cybersecurity rules in light of the recent broad-based cyberattacks at a number of companies. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others or damage to our reputation and credibility and could also have a negative impact on revenues and profits.

Social media platforms and new technologies present risks and challenges for our reputation and business.

Consumers, the media, pharmaceutical companies and other parties increasingly use social media and other new technologies to communicate about pharmaceutical products and the diseases they are intended to treat. For pharmaceutical companies, the use of these technologies requires specific attention, monitoring programs and moderation of comments. For example, negative or inaccurate posts or comments about us or our products on any social media networking platforms could damage our reputation and business. Social media could also be used to bring negative attention to us or to the pharmaceutical industry as a whole, which could in turn cause reputational harm to us and negatively impact our business. The nature of evidence-based health care, however, may prevent us from rapidly and adequately defending our interests against such comments. In addition, our employees and partners may use social media and mobile technologies inappropriately, which may expose us to liability, or which could lead to breaches of data security, loss of trade secrets or other intellectual property or public disclosure of sensitive information, including information about our employees, clinical trials or customers.

Our dependence on third parties for the inputs for our products subjects us to various risks, and changes in the costs of materials may adversely affect our profitability.

Although we develop and manufacture the active ingredients used in some of our products at our own facilities, we are dependent on third-party suppliers for a substantial portion of the raw materials and compounds used in the products we produce. The price and availability of the raw materials for our products, including chemical compounds and biologics, are subject to the effects of weather, natural disasters, market forces, the economic environment, fuel costs and foreign exchange rates. If our cost for such materials increases, we may not be able to make corresponding increases in the prices of our products due to market conditions or our relationships with our customers, and as a result, our profitability could be materially and adversely affected. Sources of some materials may be limited to a single supplier, and if such supplier faces any difficulty in supplying the materials, we may not be able to find an alternative supplier in a timely manner or at all. If materials become unavailable or if quality problems related to the materials arise, we may be forced to halt production and sales of products that use them. In the event that any of our third-party suppliers is delayed in its delivery of such raw materials or compounds, is unable to deliver the full quantity ordered by us at the appropriate level of quality, or is unable to deliver any raw materials or compounds at all, our ability to sell our products in the quantities demanded by the market may be impaired, which could damage our reputation and relationships with customers. In such a case, our business and results of operations could be adversely affected.

Sales to wholesalers are concentrated, which exposes us to credit risks and pricing pressures.

A significant portion of our global sales are made to a relatively small number of wholesale distributors, retail chains and other purchasing groups. In the fiscal year ended March 31, 2018, our largest wholesale distributor accounted for 12.4% of our total revenue. If one of our significant wholesale distributors encounters financial or other difficulties, such distributor may decrease the amount of business that it does with us, and we may be unable to collect the amounts that the distributor owes us on a timely basis or at all. Furthermore, the concentration of wholesale distributors has been increasing through mergers and acquisitions. In addition to

increased credit risks, this has resulted in such distributors gaining additional purchasing leverage, which may increase pricing pressure on our products. Such credit concentration risks and pricing pressure could adversely affect our business, financial condition and results of operations.

We may incur substantial costs due to our environmental compliance efforts or claims relating to our use, manufacture, handling, storage or disposal of hazardous materials.

Our research and development and manufacturing processes use hazardous materials, including chemicals and radioactive and biological materials, and produce hazardous waste. National and local laws and regulations in many of the jurisdictions in which we operate impose substantial potential liability for the improper use, manufacture, handling, storage and disposal of hazardous materials as well as for land contamination, and, in some cases, this liability may continue over long periods of time. Despite our compliance efforts, we cannot completely eliminate the risk of accidental contamination and any resultant injury from these materials. For example, real properties that we owned or used in the past or that we own or use now or in the future may contain undetected contamination resulting from our manufacturing operations at those sites or the activities of prior owners or occupants. While we have not experienced any material expenses or liability in connection with hazardous materials, we may suffer from expenses, claims or liability in the future which may fall outside of or exceed our insurance coverage. Furthermore, changes to current environmental laws and regulations may impose further compliance requirements on us that may impair our research, development and production efforts as well as our other business activities.

We may suffer large losses in the event of a natural or other disaster, such as an earthquake, terrorist attack or other catastrophic event, in any of the markets in which we operate.

Japan and other regions in the world in which we operate are subject to the risk of earthquakes and other natural disasters, including volcanic eruptions, tidal waves, typhoons, floods and hurricanes. For example, the Great East Japan Earthquake and subsequent tsunami that occurred in March 2011 caused unprecedented property and other damage, although we did not incur any significant damage to our facilities. In addition, other events outside our control, such as war, civil or political unrest, deliberate acts of sabotage, or industrial accidents such as fire and explosion, whether due to human or equipment error, could damage, cause operational interruptions, or otherwise adversely affect certain of our manufacturing or other facilities as well as potentially cause injury or death to our personnel. In the event of a major natural disaster or other uncontrollable event or accident, our facilities, particularly our production plants, may experience catastrophic loss, operations at such facilities may be halted, shipments of products may be suspended or delayed and large losses and expenses to repair or replace facilities may be incurred. Such negative consequences could cause product shortages, significant losses of sales or require significant unexpected expenditures, and materially adversely affect our business, financial condition and results of operations.

We regularly conduct inspections of all of our facilities for maintenance purposes and to prevent potential damage from disaster, and we have global group insurance to cover property damage and business interruption for certain potential losses at our production facilities, although we do not maintain earthquake insurance in Japan. These insurance policies may not be adequate to cover all possible losses and expenses. In addition, our business may also be adversely affected if our suppliers or business partners were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events.

We may have to recognize additional charges on our statements of income due to impairment of goodwill and other intangible assets.

We carry significant amounts of goodwill and intangible assets on our balance sheet as a result of past acquisitions. If completed as expected, we also expect to record significant additional goodwill and intangible assets in connection with the Shire Acquisition. As of March 31, 2018, we had goodwill of ¥1,029.2 billion and intangible assets of ¥1,014.3 billion. Goodwill and intangible assets recorded in relation to acquisitions are

recognized on our balance sheet on the acquisition date. Under IFRS, we are required to examine such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies—Impairment of Goodwill and Intangible Assets.” The recognition of such impairment charges may adversely affect our business, financial condition and results of operations.

We may not be able to attract and retain key management and other personnel.

In order to produce, develop, support and market our products, we depend on the expertise and leadership of our senior management team and other key members of our organization. The loss of key members of our organization, including senior members of our scientific and management teams, high-quality researchers and development specialists, could delay or prevent the achievement of major business objectives. The market for such talents has become increasingly competitive, including in specific geographic regions and in specialized fields such as clinical development and biosciences, and we are required to invest heavily in the recruitment, training and retention of qualified individuals, including salary and other compensation to reward performance and incentivize employees. Despite our efforts to retain them, key employees could terminate their employment with us for any reason or for no reason, and there can be no assurance that we will be able to attract or retain key employees and successfully manage them. Our inability to attract, integrate and retain highly skilled personnel, particularly those in leadership positions, may weaken our succession plans and may materially adversely affect our ability to implement our strategy and meet our strategic objectives, which could ultimately adversely affect our business and results of operations.

If we fail to maintain effective internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected, which could cause investors to lose confidence in our reported financial information and may lead to a decline in the trading price of our ADSs.

Our common stock is currently listed only on the Tokyo Stock Exchange and other local Japanese stock exchanges, and we have established internal control over financial reporting pursuant to the requirements applicable to companies listed only in Japan. Following the effectiveness of this registration statement, our common stock and ADSs will be registered under the Securities Exchange Act of 1934 (the “Exchange Act”), and we will become subject to, among other things, the requirements under the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). The standards for internal control over financial reporting under the Sarbanes-Oxley Act are significantly more extensive than those applicable to companies listed only in Japan. For example, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act (“Section 404”), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting. Pursuant to the instructions to Form 20-F, we expect to include this report in our second annual report filed with the Securities and Exchange Commission (the “SEC”) following the effectiveness of this registration statement, which we currently expect will be filed by no later than July 31, 2020. We are still in the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404.

Neither our management nor independent registered public accounting firm has ever performed a comprehensive evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act because no such evaluation has been required, and we cannot be certain that material weaknesses in our internal control over financial reporting will not develop or be identified. Any failure to achieve and maintain adequate internal control over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation could cause material weaknesses or other deficiencies in our internal control over financial reporting in the future. If we are unable to successfully remediate any material weaknesses or other deficiencies in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected and investors may lose confidence in

our financial reporting, and the price of our ADSs may decline as a result. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Risks Relating to the ADSs

A holder of ADSs will have fewer rights than a shareholder has and such holder will have to act through the depositary to exercise those rights.

The rights of shareholders under Japanese law to take various actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. Pursuant to the deposit agreement, the depositary will endeavor, to the extent practicable, to make efforts to vote or cause to be voted the shares underlying the ADSs as instructed by the holders and will pay to the holders the dividends and distributions collected from the Company. The depositary and its agents may not be able to send voting instructions to holders of ADSs or carry out their voting instructions in a timely manner. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote. Moreover, in the capacity as an ADS holder, such holder will not be able to bring a derivative action, examine the Company's accounting books or records or exercise appraisal rights except through the depositary.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions.

Our Articles of Incorporation, Regulations of the Board of Directors, Regulations of the Audit and Supervisory Committee and the Companies Act govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties, and shareholders' rights may be different from those that would apply to a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other jurisdictions. ADS holders may have more difficulty in asserting their rights as a shareholder than such holders would as shareholders of a corporation organized in another jurisdiction. In addition, Japanese courts may not be willing to enforce liabilities against the Company in actions brought in Japan that are based upon the securities laws of other jurisdictions.

Because of daily price range limitations under Japanese stock exchange rules, a holder of ADSs who has surrendered his or her ADSs in favor of shares of our common stock may not be able to sell his/her shares of our common stock at a particular price on any particular trading day, or at all.

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, a holder of ADSs who has surrendered his or her ADSs in favor of shares of our common stock wishing to sell on a Japanese stock exchange at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

U.S. investors may have difficulty in serving process or enforcing a judgment against us or our directors or executive officers.

We are a limited liability, joint stock corporation incorporated under the laws of Japan. Many of our directors and executive officers reside in Japan, Europe or elsewhere outside of the United States, and a large portion of our assets and the assets of these persons are located in Japan and elsewhere outside the United States.

It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Investors holding less than a full unit of shares will have limited rights as shareholders.

Our Articles of Incorporation provide that 100 shares of our common stock constitute one unit. Although holders of ADSs may withdraw shares of our common stock constituting less than one unit, in connection with the direct holding of the shares of our common stock, the Companies Act imposes significant restrictions and limitations on holders of shares of our common stock that do not constitute a full unit. In general, holders of shares of our common stock constituting less than one unit do not have the right to vote with respect to those shares.

Dividend payments and the amount you may realize upon a sale of our ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen.

Cash dividends, if any, in respect of the shares of our common stock represented by our ADSs will be paid to the depositary in Japanese yen and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect, among other things, the U.S. dollar amounts a holder of ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that a holder of ADSs would receive upon sale in Japan of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs.

Our shareholders of record on a given record date may not receive the dividend they anticipate.

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. We ultimately have a discretion to determine any dividend payment amount to our shareholders of record as of a record date, including whether we will make any dividend payment to such shareholders at all, only after such record date. For that reason, our shareholders of record on a given record date may not receive the dividends they anticipate.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial for any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, which may include any claim under the U.S. federal securities laws.

If we or the depositary were to oppose a jury trial based on this waiver, the court would have to determine whether the waiver was enforceable based on the facts and circumstances of the case in accordance with applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the City of New York, which has jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this would be the case with respect to the deposit agreement and the ADSs. It is advisable that prospective investors consult legal counsel regarding the jury waiver provision before investing in the ADSs.

As a result, if a holder or beneficial owner of ADSs brings a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, such holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depository. If a lawsuit is brought against us or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including outcomes that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver is not enforced under applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or the ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Item 4. Information on the Company

A. History and Development of the Company.

We are a global, research and development-driven pharmaceutical company with a presence in more than 70 countries. We bring highly-innovative, life-changing medicines to patients across the globe, with prescription drugs marketed directly or through our partners in approximately 100 countries worldwide. Our global workforce of more than 27,000 employees is committed to bringing better health and a brighter future to patients. We develop and market pharmaceutical products to treat a broad range of medical conditions including GI diseases, cancer, neurological and psychiatric diseases and other medical conditions, including diabetes and hypertension, as well as vaccines. We are also committed to our corporate social responsibility program, which is dedicated to global health, and our access to medicine strategy, which aims to increase access to innovative and potentially life-saving medicines for patients with some of the highest unmet medical needs across the world.

We have a focused, agile and innovative research and development organization whose goal is to impact patients' lives by translating science into transformative medicines. We focus on highly innovative medicine, with 41 clinical stage assets with active development programs as of October 31, 2018, more than one-third of which have orphan drug designation. We focus our research and development efforts on our three key therapeutic areas: GI, oncology and neuroscience, plus vaccines. We have successfully built a distinct research and development strategy based on therapeutic area focus, a robust research engine and a comprehensive, differentiated partnership model of collaborations with academia, biotech firms and startups. Our research and development program aims to leverage a combination of internal and external expertise to deliver a sustainable pipeline, and we currently have approximately 180 active partnerships, helping us actively pursue additional innovation.

We are focusing on three key priorities in the mid-term: growing our portfolio, strengthening our pipeline and boosting our profitability. Pursuing portfolio growth involves a focus on our expected key growth drivers, namely the three key therapeutic areas of GI, oncology and neuroscience, as well as emerging markets. This also includes further strengthening our specialty capabilities, while at the same time working to optimize our portfolio through targeted acquisitions and selected disposals of non-core assets.

Our 237-year history started in 1781, when Chobei Takeda I began selling traditional Japanese and Chinese medicines in Doshomachi, Osaka. After Japan's Meiji Restoration opened the country to increased overseas trade in the late 1860s, we were one of the first companies to begin importing western medicines into Japan. In 1895, we began our pharmaceutical manufacturing business, and our research division was formed in 1914, allowing us to begin to introduce our own pharmaceutical products. In 1925, we were incorporated as Chobei Takeda & Co., Ltd. and our name was later changed to Takeda Pharmaceutical Company Limited. In 1949, our shares were listed on the Tokyo and Osaka stock exchanges. We began expanding into overseas

markets in the 1960s, first in Asia and, subsequently, other markets around the world. We began enhancing our overseas business infrastructure in the late 1990s, with the formation of new subsidiaries in the United States and Europe.

Since 2014, Takeda has been focused on becoming an agile, research and development driven, global pharmaceutical company that is well positioned to deliver highly innovative medicines and transformative care to patients around the world. We believe that we have successfully strengthened our reputation by our world-class products and innovation, while remaining true to our values. In addition to our efforts to enhance our research and development capabilities, we have a strong track record of successful cross-border merger and acquisition activities and post-acquisition integration, including our acquisition of ARIAD in 2017, Nycomed A/S in 2011 and Millennium Pharmaceuticals, Inc. (“Millennium”) in 2008. In July 2018, we acquired TiGenix NV, 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. We also entered into more than 50 collaborations with third parties during the fiscal year ended March 31, 2018 to help strengthen our pipeline. With the Shire Acquisition, we are pursuing the next major step in our development into a global pharmaceuticals company. See “—Shire Acquisition.”

Our principal capital expenditures during the three fiscal years ended March 31, 2018 consisted of additions to property, plant and equipment and additions to intangible assets. In the fiscal years ended March 31, 2016, 2017 and 2018, excluding acquisitions, we made capital expenditures (consisting of the additions to property, plant and equipment and intangible assets recorded on our consolidated balance sheet) of ¥125.8 billion, ¥148.1 billion and ¥124.1 billion, respectively, including the following highlights:

- In the fiscal year ended March 31, 2016, we invested \$30 million to acquire a biologics manufacturing facility located in Brooklyn Park, Minnesota, United States from Baxalta US Inc.;
- In the fiscal year ended March 31, 2017, we invested ¥8.3 billion to prepare the manufacturing facility in Brooklyn Park, Minnesota acquired from Baxalta US. Inc. for the production of *ENTYVIO*; and
- In the fiscal year ended March 31, 2018, we invested ¥17.9 billion to construct our new global headquarters in Tokyo. We also invested ¥11.4 billion to purchase manufacturing equipment at our German subsidiary, Takeda GmbH, including ¥4.9 billion in equipment for manufacturing of vaccines for dengue fever.

During the same period, our main acquisitions and divestitures included:

- In the fiscal year ended March 31, 2016, the transfer of all the shares we owned in Mizusawa Industrial Chemicals, Ltd. to Osaka Gas Chemicals Co., Ltd. and sale of our respiratory portfolio to AstraZeneca;
- In the fiscal year ended March 31, 2017, the acquisition of ARIAD and the transfer of certain of our long-listed products in Japan to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd., in which we hold a 49% interest;
- In the fiscal year ended March 31, 2018, the sale of our shares in Wako Pure Chemical to FUJIFILM Corporation, and the sale of seven additional long-listed products to Teva Takeda Yakuhin Ltd.

In December 2017, we entered into an agreement with Takashimaya Company Limited to sell our Tokyo Takeda building and the Takeda Shin-Edobashi building. In July 2018, we completed our acquisition of TiGenix NV, as discussed above, and we sold and divested all our shares and assets in Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. to Novamed Fabricação de Produtos Farmacêuticos Ltda. In August 2018, we sold and divested all our shares and assets in Guangdong Techpool Bio-Pharma Co., Ltd. to Shanghai Pharmaceutical Holding Co. Ltd., pursuant to the agreement we signed in May 2018.

The address of our registered head office is 1-1, Doshomachi 4-Chome, Chuo-ku, Osaka, 540-8645, Japan, and the address of our global head office is 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo, 103-8668, Japan; telephone number: 81-3-3278-2306. Takeda's agent in the United States in connection with this registration statement is Takeda Pharmaceuticals U.S.A., Inc., 1 Takeda Parkway, Deerfield, IL 60015 U.S.A., telephone number: 1-224-554-6500.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. Our corporate website is www.takeda.com.

Shire Acquisition

Overview

On May 8, 2018, the boards of Takeda and Shire reached agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire, which we refer to as the "Shire Acquisition." The Shire Acquisition is expected to close on or around January 8, 2019. Under the terms of the Shire Acquisition, each Shire shareholder is entitled to receive \$30.33 in cash and either 0.839 New Takeda shares or 1.678 Takeda ADSs for each share of Shire. The expected aggregate consideration is approximately £46 billion (approximately ¥6.96 trillion). This estimate is based on the following assumptions:

- the closing price of our shares on the Tokyo Stock Exchange of ¥4,923 per share; and
- exchange rates of £1.00 to ¥151.51 and £1.00 to \$1.3945.

In each case, such assumptions are as of April 23, 2018, being the day prior to the announcement that the Shire board would, in principle, be willing to recommend the Shire Acquisition at such consideration. The estimated aggregate consideration is further based on a total issued and to-be-issued share capital of Shire totaling 937,925,528 shares as of May 4, 2018, the last practicable date prior to the announcement of the Shire Acquisition.

Immediately following completion of the Shire Acquisition, we expect that Shire shareholders will own approximately 50% of the combined group. We believe the Shire Acquisition will create a global, values-based and research and development-driven biopharmaceutical company incorporated and headquartered in Japan, with an attractive geographic footprint and the scale to drive future development. Specifically, we expect that the Shire Acquisition will strengthen Takeda's core therapeutic areas, bringing together Takeda and Shire's complementary positions in GI and neuroscience and provide leading positions in rare diseases and plasma-derived therapies to complement our existing strength in oncology and focused efforts in vaccines.

Takeda Following the Shire Acquisition

We believe that there is a compelling strategic and financial rationale for undertaking the Shire Acquisition, and that the Shire Acquisition will allow us to create a global, values-based, research and development-driven biopharmaceutical company incorporated and headquartered in Japan, with an attractive geographic footprint and the scale to drive future development. In particular, we expect that the combined group will have attractive positions in Japan and the United States, with the United States in particular accounting for nearly half of consolidated revenues, while also maintaining a strong presence in other international markets.

We expect that the combined company will have leading positions in four main therapeutic areas: GI, oncology, neuroscience and rare diseases, with additional strength in plasma-derived therapies and vaccines. Moreover, we and Shire have complementary product development pipelines, with our strength in early stage development, research-oriented development and small molecules being complemented by Shire's expertise in rare diseases, its modality-diverse mid- and late-stage pipeline enriched with large molecule programs and innovative gene therapy and recombinant protein technologies.

Following the completion of the Shire Acquisition and the following integration of Shire's business into ours, we expect to be able to achieve significant, recurring pre-tax synergies of at least \$1.4 billion annually by the end of the third fiscal year after the completion of the Shire Acquisition, originating from efficiencies in the combined company's sales, marketing and administrative functions, research and development efforts and product manufacturing and supply. We believe that the realization of these synergies will require non-recurring costs of approximately \$2.4 billion in the first three fiscal years following the completion of the Shire Acquisition. We believe that the substantial cash flow generation expected to result from the Shire Acquisition will enable us to maintain our well-established dividend policy, and de-lever following completion. We intend to maintain our investment grade credit rating, with a target net debt to Adjusted EBITDA ratio of 2.0x or less within three to five years following completion of the Shire Acquisition, and are considering disposals of non-core assets to increase the pace of deleveraging.

We also believe that the combined company will be able to realize additional revenue synergies, arising from leveraging the combined strengthened global infrastructure of Takeda and Shire and through greater market presence in our key therapeutic areas, particularly GI and neuroscience.

Following the Shire Acquisition, we intend to maintain our global headquarters in Japan, to expand our research and development presence in the Boston area and to have major regional locations in Japan, Singapore, Switzerland and the United States. We plan to commence a review of the functions to be undertaken at Shire's current headquarters in Dublin within the first year following completion of the Shire Acquisition. Takeda's shareholders approved the election of three Shire directors to join Takeda's board of directors at the extraordinary general meeting of shareholders on December 5, 2018. See "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Directors." The election of these new directors is conditional upon the Scheme taking effect as planned and will become effective upon the date of completion of the Shire Acquisition, which we intend to be on or around January 8, 2019.

B. Business Overview.

We are a global pharmaceutical company with an innovative portfolio, engaged primarily in the research, development, production and marketing of pharmaceutical products. We have a diversified global business base operating in more than 70 countries and our prescription drugs are marketed in approximately 100 countries. We develop and market pharmaceutical products to treat a broad range of medical conditions including GI diseases, cancer, neurological and psychiatric diseases, and other medical conditions, including diabetes and hypertension, as well as vaccines.

We are focusing on the three key priorities in the mid-term: growing our portfolio, strengthening our pipeline and boosting our profitability. Pursuing portfolio growth involves a focus on our expected key growth drivers, particularly in our three key therapeutic areas of GI, oncology and neuroscience, as well as emerging markets. We are also pursuing further improvements in specialty capabilities, particularly for unmet treatment needs, while making targeted acquisitions and divestitures to further increase our level of focus on our key growth drivers.

Our three core therapeutic areas are GI, oncology and neuroscience. Our key growth driver products in these core therapeutic areas include *ENTYVIO*, *TAKECAB*, *NINLARO*, *ADCETRIS*, *ICLUSIG*, *ALUNBRIG* and *TRINTELLIX*. We also focus on developing vaccines to address global health needs.

In GI, our principal products include:

- *ENTYVIO*, a treatment for moderate to severe ulcerative colitis and Crohn's disease, and a product we expect to be a driver for growth in the future. Sales of *ENTYVIO* have grown strongly since its launch in 2014 to become our top selling product in the fiscal year ended March 31, 2018. In July 2018, we obtained a New Drug Application ("NDA") approval for *ENTYVIO* for the treatment of patients with moderately to severely active ulcerative colitis in Japan. *ENTYVIO* is now approved in more than 50 countries worldwide, and we continue to seek approval for *ENTYVIO* in additional countries. In the fiscal year ended March 31, 2018, our revenue from *ENTYVIO* was ¥201.4 billion.

- *PANTOPRAZOLE*, a proton-pump inhibitor used to treat gastroesophageal reflux disease. We obtained this product in our acquisition of Nycomed A/S in 2011. *PANTOPRAZOLE* is sold worldwide in a number of countries and regions, and while our substance patents have expired in several key markets, including the United States and the EU, it continues to generate strong sales in emerging markets. In the fiscal year ended March 31, 2018, our revenue from *PANTOPRAZOLE* was ¥65.8 billion.
- *DEXILANT*, a treatment for erosive gastroesophageal reflux disease that was launched in the United States in 2009. *DEXILANT* has also been approved in Europe and in a number of emerging markets. In the fiscal year ended March 31, 2018, our revenue from *DEXILANT* was ¥65.7 billion.
- *TAKECAB*, a treatment for acid-related diseases, and a product we expect to be a driver for growth in the future. *TAKECAB* was launched in Japan in 2015 and has achieved significant growth following the expiration of the prescription limitation period in March 2016. In the fiscal year ended March 31, 2018, our revenue from *TAKECAB* was ¥48.5 billion.
- *AMITIZA*, a treatment for constipation that was launched in the United States in 2006. *AMITIZA* is in-licensed from Sucampo Pharmaceuticals, Inc., which became a wholly-owned subsidiary of Mallinckrodt plc in February 2018, and we have the exclusive rights to further develop and commercialize *AMITIZA* in all global markets, except Japan and the People's Republic of China. In the fiscal year ended March 31, 2018, our revenue from *AMITIZA* was ¥33.8 billion.

In oncology, our principal products include:

- *LEUPRORELIN*, a treatment for prostate cancer, breast cancer and endometriosis, is marketed in approximately 100 countries worldwide. In the fiscal year ended March 31, 2018, our revenue from *LEUPRORELIN* was ¥108.1 billion.
- *VELCADE*, a treatment for multiple myeloma (“MM”) and relapsed mantle cell lymphoma that is approved in more than 90 countries worldwide. *VELCADE* is indicated in the United States, Europe, and Japan as a first-line treatment for MM patients. Janssen Pharmaceutical Companies have commercialization rights outside the United States and pay royalties to us on *VELCADE* sales in their territories. In the fiscal year ended March 31, 2018, our revenue from *VELCADE* was ¥113.7 billion in the United States, and we recognized ¥23.6 billion from sales outside the United States. Following the expiration of patent protection over its active ingredient in 2017, generic versions of *VELCADE* have been introduced.
- *NINLARO*, the first oral proteasome inhibitor for the treatment of MM, and a product we expect to be a driver for growth in the future. *NINLARO* has experienced a strong uptake in sales since launching in the United States in 2015. Due to its efficacy and safety profile and convenient orally administered dosing of one capsule per week, we believe *NINLARO* has significant potential to improve treatment outcomes in MM by extending therapy duration. We believe *NINLARO* has the potential to become a broadly-used treatment for MM. *NINLARO* was approved in the EU in 2016 and in Japan in 2017, and we are seeking marketing authorization in a number of additional countries. In the fiscal year ended March 31, 2018, revenue from *NINLARO* was ¥46.4 billion.
- *ADCETRIS*, an anti-cancer agent used to treat Hodgkin lymphoma (“HL”) and systemic anaplastic large cell lymphoma (“sALCL”), and a product we expect to be a driver for growth in the future. *ADCETRIS* was launched in the United States, the EU and Japan in 2011, 2012 and 2014, respectively. *ADCETRIS* has received marketing authorization by regulatory authorities in more than 60 countries worldwide. We jointly develop *ADCETRIS* with Seattle Genetics, Inc. and have commercialization rights in countries outside the United States and Canada. We believe that *ADCETRIS* has the potential to become a cornerstone in the treatment of malignancies with the presence of CD30, a key driver of classical HL tumor pathogenesis, and we are working to expand the target patient population with new indications. In the fiscal year ended March 31, 2018, our revenue from *ADCETRIS* was ¥38.5 billion.

- *ICLUSIG*, a treatment for chronic myeloid leukemia and Philadelphia chromosome positive acute lymphoblastic leukemia, and a product we expect to be a driver for growth in the future. *ICLUSIG* was developed by ARIAD and is approved in the United States, the EU, Australia, Switzerland, Israel, Canada and Japan. In the fiscal year ended March 31, 2018, our revenue from *ICLUSIG* was ¥23.1 billion.
- *ALUNBRIG*, an orally administered small molecule anaplastic lymphoma kinase (“ALK”) inhibitor used to treat non-small cell lung cancer (“NSCLC”), and a product we expect to be a driver for growth in the future. *ALUNBRIG* was developed by ARIAD. *ALUNBRIG* was granted accelerated approval in the United States in April 2017, and is currently under regulatory review in the EU. We believe *ALUNBRIG* has the potential to be the best-in-class ALK inhibitor, and we are conducting studies that aim to broaden its approved indications. In the fiscal year ended March 31, 2018, our revenue from *ALUNBRIG* was ¥2.8 billion.

In neuroscience, our principal product is:

- *TRINTELLIX*, an antidepressant indicated for the treatment of major depressive disorder in adults, and a product we expect to be a driver for growth in the future. *TRINTELLIX* was co-developed with H. Lundbeck A/S, and was launched in 2014 in the United States. We have commercialization rights in the United States and Japan (although *TRINTELLIX* has not yet been launched in Japan). In 2016, the drug was renamed from *BRINTELLIX* to *TRINTELLIX* in the United States to avoid name confusion with another unrelated treatment. In the fiscal year ended March 31, 2018, our revenue from *TRINTELLIX* was ¥48.4 billion in the United States.

Clinical Development Activities

The following table shows a summary of the status of our clinical-stage pipeline as of October 31, 2018, including approved products in life cycle management. “Approved with Life Cycle Management” refers to those products which have been approved for any indication and for which we are pursuing regional expansions, additional indications or new formulations.

<u>Category</u>	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III / Filed</u>	<u>Approved with Life Cycle Management</u>
GI	4	2	—	3
Oncology	6	3	2	6
Neuroscience	7	2	—	1
Vaccine	2	2	1	—
Total	19	9	3	10

The following table lists the compounds that we are developing as of October 31, 2018. The compounds in our pipeline are in various stages of development, and the contents of the pipeline may change as compounds currently under development drop out and new compounds are introduced. Whether the compounds listed below are ever successfully released as products depends on various factors, including the results of pre-clinical and clinical trials, market conditions for various drugs and regulatory approvals.

GI Pipeline

Development code <generic name> Brand name (country/region)⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage⁽²⁾	In-house/ In-license	
MLN0002 <vedolizumab> ENTYVIO (U.S., EU, Japan)	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin (injection)	Crohn's disease	Japan China	Filed (July 2018) P-III	In-house
		Ulcerative colitis	China	P-III	
		Subcutaneous formulation (for Ulcerative colitis, Crohn's disease)	U.S. EU Japan	P-III P-III P-III	
		Adalimumab head-to-head in patients with ulcerative colitis	Global	P-III	
		Graft-versus-host disease prophylaxis in patients undergoing allogeneic hematopoietic stem cell transplantation	—	P-II(a)	
		Refractory complex perianal fistulas in patients with Crohn's disease	U.S.	P-III	
A suspension of allogeneic expanded adipose-derived stem cells (injection)					
TAK-438 <vonoprazan> TAKECAB (Japan)	Potassium- competitive acid blocker (oral)	Acid-related diseases	China	Filed (February 2018)	In-house
		Non-erosive reflux disease in patients with Gastro- esophageal Reflux Disease	Japan	P-III	
		Gastro-esophageal reflux disease in patients who have a partial response following treatment with a proton pump inhibitor	EU	P-II(b)	
TAK-954	5-HT ₄ receptor agonist (injection)	Enteral feeding intolerance	—	P-II(b)	In-license (Theravance Biopharma, Inc.)
TAK-906⁽³⁾	Dopamine D ₂ /D ₃ receptor antagonist (oral)	Gastroparesis	—	P-II(a)	In-house

Development code <generic name> Brand name (country/region) ⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage ⁽²⁾		In-house/ In-license
TIMP-GLIA ⁽⁴⁾	Tolerizing Immune Modifying nanoParticle (TIMP) (injection)	Celiac Disease	—	P-I	In-license (Cour Pharmaceutical Development Company, Inc.)
Kuma-062 ⁽⁵⁾	Glutenase (oral)	Celiac Disease	—	P-I	In-license (PvP Biologics, Inc.)
TAK-671	Protease inhibitor (injection)	Acute pancreatitis	—	P-I	In-house
TAK-018	FimH antagonist (oral)	Crohn's disease	—	P-I	In-license (Enterome Bioscience SA)

Notes:

- (1) Brand name and country/region indicate the brand name and country in which the specific asset has already been approved for any indication in any of the U.S., EU, Japan or China and Takeda has commercialization rights for such asset.
- (2) Country/region in this column denote where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.
- (3) TAK-906 was previously known as ATC 1906. In March 2017, Takeda executed its option right to acquire Altos Therapeutics.
- (4) Cour Pharmaceutical Development Company, Inc. led Phase I development.
- (5) PvP Biologics, Inc. led Phase I development.

Oncology Pipeline

Development code <generic name> Brand name (country/region) ⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage ⁽²⁾		In-house/ In-license
<brigatinib> <i>ALUNBRIG</i> (U.S.)	ALK inhibitor (oral)	2L ALK-positive metastatic Non-Small Cell Lung Cancer in patients previously treated with crizotinib	EU	Filed (February 2017)	In-house
		1L ALK-positive Non-Small Cell Lung Cancer	U.S.	P-III	
			EU	P-III	
			China	P-I	
		2L ALK-positive Non-Small Cell Lung Cancer in Japanese patients previously treated with ALK inhibitors	Japan	P-II(a)	

Development code <generic name> Brand name (country/region)⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage⁽²⁾	In-house/ In-license
SGN-35 <brentuximab vedotin> <i>ADCETRIS</i> (EU, Japan)	CD30 monoclonal antibody-drug conjugate (injection)	Front line Hodgkin Lymphoma	EU Filed (November 2017)	In-license (Seattle Genetics, Inc.)
		Front line Peripheral T-cell Lymphoma	EU P-III Japan P-III	
		Relapsed/refractory Hodgkin Lymphoma	China P-II	
		Relapsed/refractory systemic Anaplastic large-cell lymphoma	China P-II	
MLN9708 <ixazomib> <i>NINLARO</i> (Global)	Proteasome inhibitor (oral)	Newly diagnosed multiple myeloma	U.S. P-III EU P-III Japan P-III China P-I	In-house
		Maintenance therapy in patients with newly diagnosed MM following autologous stem cell transplant	U.S. P-III EU P-III Japan P-III China P-I	
		Maintenance therapy in patients with newly diagnosed MM not treated with stem cell transplant	Global P-III	
		Relapsed/refractory primary amyloidosis	U.S. P-III EU P-III China P-III	
		Relapsed/refractory MM (doublet regimen with dexamethasone)	U.S. P-III EU P-III Japan P-III	
		Relapsed/refractory MM (triplet regimen with daratumumab and dexamethasone)	Global P-II	
		<ponatinib> <i>ICLUSIG</i> (U.S.)	BCR-ABL inhibitor (oral)	
	Dose ranging study for second- line patients with chronic- phase chronic myeloid leukemia	U.S. P-II(b)		
TAK-924 <pevonedistat>	NEDD 8 activating enzyme inhibitor (injection)	High risk myelodysplastic syndromes, chronic myelomonocytic leukemia, low-blast acute myelogenous leukemia	U.S. P-III EU P-III	In-house
TAK-385 <relugolix>	LH-RH antagonist (oral)	Prostate cancer	Japan P-III China P-I	In-house

Development code <generic name> Brand name (country/region) ⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage ⁽²⁾	In-house/ In-license
TAK-228 <sapanisertib>	mTORC1/2 inhibitor (oral)	Endometrial cancer	U.S. P-II(b)	In-house
TAK-659	SYK/FLT3 kinase inhibitor (oral)	Diffuse large B-cell lymphoma Solid tumors, Hematologic malignancies	— P-II(a) P-I	In-house
TAK-931	CDC7 inhibitor (oral)	Metastatic colorectal cancer, Squamous esophageal cancer, Squamous Non-Small Cell Lung Cancer	— P-II(a)	In-house
<cabozantinib>	Multi-targeted kinase inhibitor (oral)	2L Renal cell carcinoma 2L Hepatocellular carcinoma	Japan P-II(a) Japan P-II(a)	In-license (Exelixis, Inc.)
TAK-079	Anti-CD38 monoclonal antibody (injection)	Relapsed/refractory multiple myeloma Systemic lupus erythematosus	— P-I — P-I	In-house
TAK-164	Anti-guanylyl cyclase C antibody drug conjugate (injection)	GI Malignancies	— P-I	In-house
TAK-573	CD38-targeted IgG4 genetically fused with an attenuated IFN α (injection)	Relapsed/refractory MM	— P-I	In-license (Teva Pharmaceutical Industries Ltd.)
TAK-788⁽³⁾	EGFR/HER2 inhibitor (oral)	Non-Small Cell Lung Cancer	— P-I	In-house
TAK-522 / XMT- 1522⁽⁴⁾	HER2 dolaflexin antibody-drug conjugate (injection)	HER2 positive solid tumors	— P-I	In-license (Mersana Therapeutics, Inc.)
TAK-981	SUMO inhibitor (injection)	Multiple cancers	— P-I	In-house
<niraparib>	PARP1/2 inhibitor (oral)	Multiple cancer	Japan P-I	In-license (Tesar, Inc.)

Notes:

- (1) Brand name and country/region indicate the brand name and country in which the specific asset has already been approved for any indication in any of the U.S., EU, Japan or China and Takeda has commercialization rights for such asset.
- (2) Country/region in this column denote where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.
- (3) TAK-788 was previously known as AP32788.
- (4) Takeda and Mersana Therapeutics, Inc. (“Mersana”) will co-develop XMT-1522, and Mersana will lead execution of the Phase I trial.

Neuroscience Pipeline

Development code <generic name> Brand name (country/region) ⁽¹⁾	Drug Class (administration route)	Indications / additional formulations	Stage ⁽²⁾	In-house/ In-license
Lu AA21004 <vortioxetine> <i>TRINTELLIX</i> (U.S.)	Multimodal anti-depressant (oral)	Major depressive disorder	Japan Filed (September 2018)	In-license (H. Lundbeck A/S)
TAK-935 ⁽³⁾	CH24H inhibitor (oral)	Rare pediatric epilepsies	— P-II(a)	In-house
TAK-831	D-amino acid oxidase (DAAO) inhibitor (oral)	Friedreich's ataxia Negative symptoms and/or cognitive impairment associated with schizophrenia	— P-II(a) — P-II(a)	In-house
WVE-120101 ⁽⁴⁾	mHTT SNP1 antisense oligonucleotide (injection)	Huntington's disease	— P-I/II	In-license (Wave Life Sciences Ltd.)
WVE-120102 ⁽⁴⁾	mHTT SNP2 antisense oligonucleotide (injection)	Huntington's disease	— P-I/II	In-license (Wave Life Sciences Ltd.)
TAK-041	GPR139 agonist (oral)	Negative symptoms and/or cognitive impairment associated with schizophrenia	— P-I	In-house
TAK-418	LSD1 inhibitor (oral)	Kabuki syndrome	— P-I	In-house
TAK-653	AMPA receptor potentiator (oral)	Treatment Resistant Depression	— P-I	In-house
TAK-925	Orexin 2R agonist (injection)	Narcolepsy	— P-I	In-house
TAK-341 / MEDI-1341 ⁽⁵⁾	Alpha-synuclein antibody (injection)	Parkinson's Disease	— P-I	In-license (AstraZeneca)

Notes:

- (1) Brand name and country/region indicate the brand name and country in which the specific asset has already been approved for any indication in any of the U.S., EU, Japan or China and Takeda has commercialization rights for such asset.
- (2) Country/region in this column denote where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.
- (3) Co-development with Ovid Therapeutics Inc.
- (4) 50:50 co-development and co-commercialization with Wave Life Sciences Ltd.
- (5) Partnership with AstraZeneca. AstraZeneca leads Phase I development.

Vaccine Pipeline

Development code <generic name> Brand name (country/region)⁽¹⁾	Type of vaccine (administration route)	Indications / additional formulations	Stage⁽²⁾	In-house/ In-license
TAK-003	Tetravalent dengue vaccine (injection)	Prevention of dengue fever caused by dengue virus	— P-III	In-house
TAK-214	Norovirus vaccine (injection)	Prevention of acute gastroenteritis caused by norovirus	— P-II(b)	In-house
TAK-195	Sabin inactivated polio vaccine (injection)	Prevention of poliomyelitis	— P-I/II	In-house
TAK-021	EV71 vaccine (injection)	Prevention of hand, foot and mouth disease caused by enterovirus 71	— P-I	In-house
TAK-426	Zika vaccine (injection)	Prevention of the Zika virus infection	— P-I	In-house

Notes:

- (1) Brand name and country/region indicate the brand name and country in which the specific asset has already been approved for any indication in any of the U.S., EU, Japan or China and Takeda has commercialization rights for such asset.
- (2) Country/region in this column denote where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.

Recent Progress in Clinical Trials

The chart below shows recent progress in clinical trial stages since May 14, 2018, when the results for the fiscal year ended March 31, 2018 were announced.

Development code <generic name>	Indications / additional formulations	Country/Region⁽¹⁾	Progress in stage
MLN0002 <vedolizumab>	Ulcerative colitis	Japan	Approved (July 2018)
MLN0002 <vedolizumab>	Crohn's disease	Japan	Filed (July 2018)
MLN9708 <ixazomib>	Relapsed/refractory MM (triplet regimen with daratumumab and dexamethasone)	Global	P-II
MLN0002 <vedolizumab>	Graft-versus-Host Disease prophylaxis in patients undergoing allogeneic hematopoietic stem cell transplantation	—	P-II(a)
Kuma062	Celiac disease	—	P-I
TAK-164	GI malignancies	—	P-I

Development code <generic name>	Indications / additional formulations	Country/Region⁽¹⁾	Progress in stage
SGN-35 <brentuximab vedotin>	Front line Hodgkin Lymphoma	Japan	Approved (September 2018)
Lu AA21004 <vortioxetine>	Data added to labeling that demonstrated superiority over escitalopram in improving SSRI-induced sexual dysfunction in patients with Major Depressive Disorder	U.S.	Approved (October 2018)
Lu AA21004 <vortioxetine>	Major depressive disorder	Japan	Filed (September 2018)
<ponatinib>	Front line Philadelphia chromosome-positive acute lymphoblastic leukemia	U.S.	P-III
<cabozantinib>	2L hepatocellular carcinoma	Japan	P-II(a)
WVE-120101 <->	Huntington's disease	—	P-I/II
WVE-120102 <->	Huntington's disease	—	P-I/II
TAK-671 <->	Acute pancreatitis	—	P-I
TAK-981 <->	Multiple cancers	—	P-I
TAK-018 <->	Crohn's disease	—	P-I

Note:

(1) Country/region in this column denotes where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.

Breakdown of Revenues by Category of Activity and Geographic Market

See “Item 5. Operating and Financial Review and Prospects—A. Operating Results” of this registration statement.

Availability of Raw Materials

Although we develop and manufacture the active ingredients used in some of our products at our own facilities, we are dependent on third-party suppliers for a portion of the raw materials and compounds used in some of the other products we produce. Although we believe that, in the event we are unable to source any products or ingredients from any of our major suppliers, we could replace those products or substitute ingredients from other suppliers, we may not be able to do so without significant difficulty or significant increases in our cost of goods sold.

We closely monitor, continuously review and revise the supply sourcing strategy for our products to identify in a timely manner any risks in our supply chain, including risks arising from our dependency on outsourced manufacturing relationships with third party suppliers. Where necessary, inventory levels of either key materials and finished products are managed strategically to address potential risks relating to operational and quality issues, production capacity and single sourcing among others. For critical and new technology

products, we have decided to make significant long-term capital investments to build internal manufacturing capacity and secure dual sources to reduce the current dependency on outsourced manufacturing relationship with third-party suppliers.

Sales and Marketing

We organize our sales channels under five regional business units, United States, Japan Pharma, Emerging Markets, Europe-Canada (“EUCAN”) and Japan Consumer Healthcare, and two global specialty business units, Oncology and Vaccines.

Our regional business units, United States, Japan Pharma, Emerging Markets and EUCAN, are focusing on investments that support growth potential in the market and enhance efficiency. Our primary sales and marketing activities are organized around these four business units.

The U.S. business unit focuses on recently approved products in the United States, the largest pharmaceutical market in the world. It has a specialized sales force to support *ENTYVIO* to better meet the needs of those who treat and manage IBD, as well as a general medicine sales force, and added a dedicated neuroscience sales team to support *TRINTELLIX* to reach psychiatrists who treat major depressive disorder (“MDD”).

The Japan Pharma business unit focuses on retaining our position as one of the leading pharmaceutical companies in our home market of Japan, where the government is driving stricter control of drug prices and promoting the penetration of generics.

The Emerging Markets business unit makes focused investments in order to maximize growth potential in areas across Asia Pacific, Greater China, Latin America, Near East, Middle East & Africa and Russia/CIS. Established Products, or branded generics (also referred to as Value Brands in the Emerging Markets), are valued by our customers as quality medicine, and innovative products such as *ENTYVIO*, *NINLARO* and *ADCETRIS* are also crucial for Emerging Markets, as we expect these key growth drivers to exhibit strong growth in the coming years.

The EUCAN business unit continues to grow the business with a more specialized approach in the European and Canadian markets, where public insurance has set a higher bar for the reimbursement of medicines, requiring innovation and differentiation for the products to be reimbursed. As Canada’s health insurance system is very similar to that of Europe, the Canadian market is managed by the EUCAN business unit.

Intellectual Property

Due to the lengthy development periods for new drugs, the high costs of research and development and the small percentage of researched compounds that reach the market, intellectual property considerations play an important role in the return of investments for research and development of a new drug.

We seek intellectual property protection under applicable laws for significant product developments in major markets. Patents are our primary means of protecting the technologies we use in relation to prescription drugs. Patents provide the holder with the right to exclude others from using an invention related to the drug. We use various types of patents to protect our pharmaceutical products, including substance patents, which cover active ingredients, as well as patents covering usage, manufacturing processes and formulation of drugs. The substance patent is a drug’s primary form of intellectual property protection, and its status can impact the commercial viability of the drug.

In the U.S., patents generally expire twenty years after the filing date of the application, subject to potential patent term adjustments for delays in patent issuance based upon certain delays in prosecution by the United States Patent and Trademark Office. A U.S. pharmaceutical patent that claims a product, method of treatment using a product or method of manufacturing a product may also be eligible for a patent term extension

based on the time the FDA took to approve the product. This type of extension may only extend the patent term for a maximum of five years, and may not extend the patent term beyond fourteen years from regulatory approval. Only one patent may be extended for any product based on FDA delay. In addition to patent exclusivities, the FDA may provide data or market exclusivity for a new chemical entity or an “orphan drug,” each of which run in parallel to any patent protection. Regulatory data protection or exclusivity prevents a potential generic competitor from relying on clinical trial data that were generated by the sponsor when establishing the safety and efficacy of its competing product. Market exclusivity prohibits any marketing of the same drug for the same indication.

Similarly, in Japan, a patent can be issued for active pharmaceutical ingredients. Although methods of treatment, such as dosage and administration, are not patentable in Japan, pharmaceutical compositions for a specific dosage or administration method as well as processes to make a pharmaceutical composition are patentable. Patents in Japan generally expire 20 years after the filing date of the patent application. Patents for pharmaceuticals may be extended for up to five years, depending on the amount of time spent for the drug approval process. Japan also has a regulatory data protection system called a “re-examination period” of eight years for pharmaceuticals that contain new active pharmaceutical ingredients and four years to six years for new indications and formulations and a ten year orphan drug exclusivity system.

Patent applications in Europe may be filed in the European Patent Office (“EPO”) or in a particular country in Europe. The EPO system permits a single application to be granted for the EU, plus certain other non-EU countries, such as Switzerland and Turkey. When the EPO grants a patent, it is then validated in the countries that the patent owner designates. The term of a patent granted by the EPO or a European country office is generally 20 years from the filing date of the patent application, subject to potential patent term extensions and adjustments. Pharmaceutical patents can be granted a further period of exclusivity under the Supplementary Protection Certificate (“SPC”) system. SPCs are designed to compensate the owner of the patent for the time it took to receive marketing authorization by the European Health Authorities. An SPC may be granted to provide, in combination with the patent, up to 15 years of exclusivity from the date of the first European marketing authorization. However, an SPC cannot last longer than five years. The SPC duration can additionally be extended by a further Pediatric Extension of six months if the product is the subject of an agreed pediatric investigation plan. The post-grant phase of patents, including the SPC system, is currently administered on a country-by-country basis under national laws that are intended to but do not always have the same effect. The EU also provides a system of regulatory data exclusivity for authorized human medicines, which runs in parallel to any patent protection. The system for drugs being approved today is usually referred to as “8+2+1” because it provides an initial period of eight years of data exclusivity, during which a competitor cannot rely on the relevant data, a further period of two years of market exclusivity, during which the data can be used to support applications for marketing authorization but the competitive product cannot be launched and a possible one-year extension of the market exclusivity period if, during the initial eight-year data exclusivity period, the sponsor registered a new therapeutic indication with “significant clinical benefit.” This system applies both to national and centralized authorizations. The EU also has an orphan drug exclusivity system for medicines similar to the U.S system. If a medicine is designated as an orphan drug, it benefits from ten years of market exclusivity, during which time a similar medicine for the same indication will not receive marketing authorization. Under certain circumstances, this exclusivity can be extended with a two-year Pediatric Extension.

Worldwide, we experience challenges in the area of intellectual property from factors such as the penetration of generic versions of our products following the expiry of the relevant patents and the launch by competitors of over-the-counter versions of our products. We work to secure extended patent rights by adding new indications and changing formulations. Our Global General Counsel is responsible for the oversight of our Intellectual Property operations, as well as our legal and compliance operations. Our Intellectual Property Department supports our overall corporate strategy by focusing efforts on three main themes:

- maximization of the value of our products and research pipeline and protection of related rights aligned to the strategies of our therapeutic area units;
- facilitation of more dynamic harnessing of external innovation through partner alliance support; and

- securing and protection of intellectual property rights around the world, including in emerging markets.

As infringement of our intellectual property rights poses a risk of loss of expected earnings derived from those rights, we have internal processes in place to manage patents and other intellectual property. This program includes both remaining vigilant against patent infringement by others as well as exercising caution, starting at the research and development stage, to ensure that our products and activities do not violate intellectual property rights held by others. As part of our strategy to manage intellectual property rights worldwide, we have overseas intellectual property operations in the United States, based in Chicago, San Diego and Cambridge; and in Switzerland, based in Zurich.

The following table shows a summary of the current substance patents (where applicable and unless otherwise noted) and trademarks covering each of our main pharmaceutical products in Japan, the United States and the EU. The “Expiry Date” means an original patent expiry date which may be extended by a patent term extension or supplementary protection certificate (“SPC”). The “Extended Expiry” means an extended patent expiry date. Information is not listed for markets over which we do not have commercialization rights. For certain of these products, there are other patents related to, for example, methods of manufacturing or use of the products in the treatment of particular diseases or conditions, which may protect them even following the expiration of the relevant substance patent. We may also protect our products using other forms of intellectual property, such as trade secrets and proprietary know-how. In addition, expiration dates set forth below do not necessarily reflect possible changes to the patent term caused by patent term extensions, the outcome of litigation or other proceedings or other reasons.

<u>Our product</u>	<u>Japan</u>	<u>United States</u>	<u>EU</u>
GI:			
<i>ENTYVIO</i>	Substance Patent — ⁽¹⁾	PAT# 7147851 (biologics, no orange-book listed patent) Expiry Date: 7/24/2017 Extended Expiry Date: 9/27/2021	PAT# 0918797 Expiry Date: 8/6/2017 Extended Expiry: 8/6/2022 in AT, BE, GR, LU, PT, SI, RO, LT and LV
	Trademark Reg. No. 5600446	Reg. No. 4580498	Reg. No. 10493369
<i>PANTOPRAZOLE</i>	Substance Patent — ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
	Trademark Reg. No. 1004803	Reg. No. 2207706	Reg. No. 1481985 Reg. No. 3175783
<i>DEXILANT</i>	Substance Patent N/A Crystal form patent	N/A Crystal form patent	N/A Crystal form patent
	Trademark —	Reg. No. 3887989	Reg. No. 9680745 Reg. No. 9680596
<i>TAKECAB</i>	Substance Patent PAT# 4035559 Expiry Date: 8/29/2026 Extended Expiry Date: 8/29/2031	PAT# 7977488 Expiry Date: 8/11/2028	PAT# 1919865 Expiry Date: 8/29/2026
	Trademark Reg. No. 5579687	Reg. No. 4988099	Reg. No. 9608613

<u>Our product</u>	<u>Japan</u>	<u>United States</u>	<u>EU</u>
<i>AMITIZA</i>	Substance Patent N/A ⁽²⁾ Bicyclic Tautomer of AMITIZA	N/A Bicyclic Tautomer of AMITIZA	N/A Bicyclic Tautomer of AMITIZA
Oncology: <i>LEUPROLIN</i>	Substance Patent — ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
<i>VELCADE</i>	Trademark Reg. No. 2426577 Substance Patent PAT# 04162491 Expiry Date: 1/25/2022	— PAT# 6713446 Expiry Date: 7/25/2022	Reg. No. IR258104 PAT# 788360 Expiry Date: 4/28/2019
		PAT# 6958319 Expiry Date: 7/25/2022 (including pediatric exclusivity)	
	Trademark Reg. No. 4643739	Reg. No. 2795745	Reg. No. 2727287
<i>NINLARO</i>	Substance Patent PAT# 5261488 Expiry Date: 8/6/2027 Extended Expiry Date: July 2031	PAT# 7442830 Expiry Date: 8/6/2027 Extended Expiry Date: not yet granted but expected to be Nov 2029.	PAT# 2178888 Expiry Date: 2027/8/6 Extended Expiry Date: 11/23/2031
	PAT# 5566380 Expiry Date: 6/16/2029	PAT# 7687662 Expiry Date: 8/6/2027	PAT# 2318419 Expiry Date: 6/16/2029
	PAT# 6010066 Expiry Date: 6/16/2029	PAT# 8003819 Expiry Date: 8/6/2027	
	Trademark Reg. No. 2426577	—	Reg. No. IR258104
<i>ADCETRIS</i> ⁽³⁾	Substance Patent PAT# 4095444 Expiry Date: 2022/4/30	N/A	PAT#1545613 Expiry Date: 7/31/2023 Extended Expiry Date: 10/24-30/2027 ⁽⁵⁾
	PAT# 4303964 ⁽⁴⁾ Expiry Date: 11/28/2021 Extended Expiry Date: 8/12/2026		
	PAT# 4741838 Expiry Date: 7/31/2023 Extended Expiry Date: 4/3/2026		
	Trademark Reg. No. 5366258	N/A	Reg. No. 9271453

<u>Our product</u>	<u>Japan</u>	<u>United States</u>	<u>EU</u>
<i>ALUNBRIG</i>	Substance Patent PAT# 6190415 Expiry Date: 5/21/2029 PAT# 6271064 Expiry: 5/21/2029 Trademark Reg. No. 1303378	PAT# 9012462 Expiry Date: 7/31/2020 Extended Expiry Date: not yet granted but expected to be April 28, 2031. Reg. No. 5251769	PAT# 2300013 Expiry Date: 5/21/2029 Reg. No. 015091317
<i>ICLUSIG</i>	Substance Patent PAT# 5200939 ⁽⁶⁾ Expiry Date: 7/27/2030 ⁽⁷⁾ Trademark Reg. No. 5473841	PAT# 8114874 Expiry Date: 12/22/2026 ⁽⁸⁾ Reg. No. 4324899	PAT# 1973545 ⁽⁹⁾ Expiry Date: 7/3/2028 ⁽¹⁰⁾ Reg. No. 010087633
Neuroscience: <i>TRINTELLIX</i>	Substance Patent PAT# 3896116 Expiry Date: 10/2/2022 Trademark Reg. No. 5904166	PAT# 7144884 Expiry Date: 10/2/2022 Extended Expiry Date: 6/17/2026 (to be issued soon) Reg. No. 5023071	N/A N/A

Notes:

- (1) The substance patent has expired.
- (2) Takeda has the exclusive rights to commercialize AMITIZA in all global markets, except Japan and the People’s Republic of China.
- (3) Takeda has commercialization rights for *ADCETRIS* outside the United States and Canada.
- (4) This patent is granted for the scope of use.
- (5) Current SPC ranges from Oct 24-30, 2027 for the expiry dates.
- (6) Out-licensed to Otsuka Pharmaceutical Co., Ltd.
- (7) Includes patent term extension.
- (8) Excludes additional 33 days of patent term adjustment awarded by the United States District Court for the Eastern District of Virginia, but not recognized by the Patent and Trademark Office. Excludes possible pediatric exclusivity.
- (9) Out-licensed to Incyte Corporation.
- (10) Includes SPC. Excludes possible pediatric exclusivity.

Licensing and Collaboration Agreements

In the ordinary course of our business, we enter into agreements for licensing or collaboration in the development and commercialization of products. Our business does not materially depend on any one of these agreements. Instead, they overall form a portion of Takeda’s strategy to leverage a mix of internal and external resources to develop and commercialize new products. Certain of the agreements which have led to successful commercialization to date are summarized below:

- *ADCETRIS*: We entered into a Collaboration Agreement with Seattle Genetics in 2009 for the global co-development of *ADCETRIS* and its commercialization around the world (other than the United States and Canada, where *ADCETRIS* is commercialized by Seattle Genetics). We may be required to pay milestone payments related to regulatory and commercial progress by us under the collaboration. We also pay tiered royalties with percentages ranging from the mid-teens and to the mid-twenties based on net sales of *ADCETRIS* within our licensed territories. We and Seattle Genetics equally co-fund the cost of selected development activities conducted under the

collaboration. Either party may terminate the collaboration for cause, or by mutual consent. We may terminate the collaboration at will, and Seattle Genetics may terminate the collaboration in certain circumstances. If neither party terminates the collaboration agreement, then the agreement automatically terminates on the expiration of all payment obligations. As of September 30, 2018, our aggregate potential development and commercial milestone payments under the *ADCETRIS* collaboration were approximately \$155 million.

- *TRINTELLIX*: We entered into a License, Development, Supply and Commercialization Agreement with H. Lundbeck A/S in September 2007 for the exclusive co-development and co-commercialization in the United States and Japan of several compounds in Lundbeck's pipeline for the treatment of mood and anxiety disorders, under which agreement we commercialize *TRINTELLIX* in the United States (*TRINTELLIX* has not yet been launched in Japan). Under the agreement, we and Lundbeck have agreed to jointly develop the relevant compounds, with the majority of development funding from us. Revenues for *TRINTELLIX* are booked by us, and we pay to Lundbeck a portion of our sales, as well as tiered royalties ranging from the mid-teens to twenties on the portion of sales retained by us. We have also agreed to pay to Lundbeck certain development and commercialization milestone payments relating to regulatory and commercial progress under the collaboration. The term of the agreement is indefinite, but agreement may be terminated by mutual decision of the parties or for cause. As of September 30, 2018, our aggregate potential development and commercial milestone payments under the *TRINTELLIX* collaboration were approximately \$145 million.
- *AMITIZA*: In October 2004, we entered into an agreement with Sucampo Pharmaceuticals (subsequently acquired by Mallinckrodt) to purchase, develop and commercialize *AMITIZA* for gastrointestinal indications in the U.S. and Canada. The initial term of the agreement is through December 31, 2020, after which the agreement continues automatically until terminated by us. We purchase *AMITIZA* from Mallinckrodt under the agreement at an agreed-upon price, and pay tiered royalties on sales in North America ranging from the high teens to mid-twenties, resetting each year. Beginning on January 1, 2021, we will share equally with Mallinckrodt in the net annual sales revenue from branded *AMITIZA* sales. We have agreed to fund development costs, including regulatory-required studies, subject to agreed-upon caps, with excess costs being shared equally, with certain exceptions. We have a similar agreement with Mallinckrodt covering the rest of the world, except for Japan and the People's Republic of China. We have agreed to additional commercial milestone payments contingent on the achievement of certain net sales revenue targets, and to provide a minimum annual commercial investment during the term of the agreement, which we may reduce when a generic equivalent enters the market. As of September 30, 2018, our total potential commercial milestone payments under the *AMITIZA* collaboration were approximately \$85 million.

Competition

Competitors in the prescription drug industry include large international companies whose capabilities cover the entire drug creation process from research and development to production and marketing. Competitors also include smaller companies that focus on selling generic versions of drugs for which patent protection and regulatory data protection have lapsed.

The competition we face often differs by product and geographic market, and companies emerge and fall away as competitors over time due to innovations, merger activity and other business and market changes.

The following table shows the current principal competing products for our main pharmaceutical products:

<u>Our product</u>	<u>Principal competing product</u>	<u>Primary manufacturer or distributor</u>
GI:		
<i>DEXILANT, PANTOPRAZOLE</i> (Protonix)	generic lansoprazole, esomeprazole	—
<i>ENTYVIO</i>	<i>Remicade</i>	Janssen Biotech
	<i>Humira</i>	Abbvie
	<i>Simponi</i>	Janssen Biotech
	<i>Stelara</i>	Janssen Biotech
	<i>Cimzia</i>	UCB
	generic infliximab	—
<i>TAKECAB</i>	<i>Nexium</i>	AstraZeneca
	generic lansoprazole, omeprazole	—
Oncology:		
<i>ADCETRIS</i>	chemotherapy regimens	—
<i>ALUNBRIG</i>	<i>Xalkori</i>	Pfizer
	<i>Zykadia</i>	Novartis
	<i>Alecensa</i>	Roche
<i>ICLUSIG</i>	<i>Gleevec</i>	Novartis
	<i>Tasigna</i>	Novartis
	<i>Sprycel</i>	Bristol-Myers Squibb
	<i>Bosulif</i>	Pfizer
<i>Leuprorelin (Leuplin)</i>	<i>Zoladex</i>	AstraZeneca
	generic leuprorelin	—
<i>NINLARO, VELCADE</i>	<i>Revlimid</i>	Celgene
	<i>Pomalyst/Imnovid</i>	Celgene
	<i>Kyprolis</i>	Amgen
	<i>Darzalex</i>	Janssen Biotech
	<i>Empliciti</i>	Bristol-Myers Squibb
Neuroscience:		
<i>TRINTELLIX</i>	<i>Viibryd</i>	Allergan
	<i>Fetzima</i>	Allergan
	generic duloxetine, escitalopram	—
Other:		
<i>AZILVA</i>	generic candesartan, olmesartan	—
<i>NESINA</i>	<i>Januvia</i>	Merck Co., Inc.
	generic pioglitazone	—

Regulation

The pharmaceutical industry is subject to extensive global regulation by regional, national, state and local agencies. The FDA and other federal statutes and regulations in the United States, MHLW in Japan and laws and regulations of foreign governments govern the testing, approval, production, labeling, distribution, post-market surveillance, advertising, dissemination of information and promotion of our products.

The introduction of new pharmaceutical products generally entails a lengthy approval process. Products must be authorized or registered prior to marketing, and such authorization or registration must subsequently be maintained. In recent years, the registration process has required increased testing and documentation for the approval of new drugs, with a corresponding increase in the expense of product introduction. To register a pharmaceutical product, a registration dossier containing evidence establishing the safety, efficacy and quality of

the product must be submitted to regulatory authorities. Generally, a therapeutic product must be registered in each country in which it will be sold. It is possible that a drug can be registered and marketed in one country while the registration authority in another country may, prior to registration, request additional information from the pharmaceutical company or even reject the product. It is also possible that a drug may be approved for different indications in different countries. The registration process generally takes between six months and several years, depending on the country, the quality of the data submitted, the efficiency of the registration authority's procedures and the nature of the product. Many countries provide for accelerated processing of registration applications for innovative products of particular therapeutic interest. In recent years, efforts have been made among the US, the EU and Japan to harmonize registration requirements in order to achieve shorter development and registration times for medical products.

Regulations in the United States

All pharmaceutical manufacturers selling products in the United States are subject to extensive regulation by the U.S. federal government, principally by FDA, the Drug Enforcement Administration, and, to a lesser extent, by state and local governments. Applications for drug registration are submitted to and reviewed by the FDA, which regulates the testing, manufacturing, labeling and approval for marketing of pharmaceutical products intended for commercialization. The FDA continues to monitor the safety of pharmaceutical products after they have been approved for sale in the US market. When a pharmaceutical company has gathered data to demonstrate a drug's safety, efficacy and quality, it may file for the drug a NDA or Biologics License Application ("BLA"), along with information regarding the clinical experiences of patients tested in the drug's clinical trials. A Supplemental New Drug Application ("sNDA") or BLA amendment must be filed for new indications for a previously approved drug.

Once an application is submitted, the FDA assigns reviewers from its staff, including experts in biopharmaceutics, chemistry, clinical microbiology, pharmacology/toxicology, and statistics. After a complete review, these content experts then provide written evaluations of the NDA or BLA. These recommendations are consolidated and are used by senior FDA staff in its final evaluation of the NDA or BLA. Based on that final evaluation, the FDA then provides to the NDA or BLA's sponsor an approval, or a "complete response" letter if the NDA or BLA application is not approved. If not approved, the letter will state the specific deficiencies in the NDA or BLA which need to be addressed. The sponsor must then submit an adequate response to the deficiencies in order to restart the review procedure. Once the FDA has approved an NDA, BLA, sNDA or BLA amendment, the company can make the new drug available for physicians to prescribe. The drug owner must submit periodic reports to the FDA, including any cases of adverse reactions. For some medications, the FDA requires additional post-approval studies (Phase IV) to evaluate long-term effects or to gather information on the use of the product under specified conditions. Throughout the life cycle of a product, the FDA requires compliance with standards relating to good laboratory, clinical and manufacturing practices. The FDA also requires compliance with rules pertaining to the manner in which we may promote our products.

The Drug Price Competition and Patent Restoration Term Act of 1954, known as the Hatch-Waxman Act, established the application procedures for obtaining FDA approval for generic forms of brand-name drugs. This act also provides market exclusivity provisions for brand-name drugs that can delay the submission and/or the approval of abbreviated new drug applications ("ANDAs"). Under this procedure, instead of conducting full-scale pre-clinical and clinical trials, the FDA can accept data establishing that the drug formulation, which is the subject of an abbreviated application, is bio-equivalent and has the same therapeutic effect as the previously approved drug, among other requirements. The Orphan Drug Act of 1983 grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term "orphan drug" refers, generally, to a drug that treats a rare disease affecting fewer than 200,000 Americans. Market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products. Another provision of the Hatch-Waxman Act extends certain patents for up to five years as compensation for the reduction of effective life of the patent which resulted from time spent in clinical trials and time spent by the FDA reviewing a drug application.

Under the Hatch-Waxman Act, any company submitting an ANDA or an NDA under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act (i.e., an NDA that, similar to an ANDA, relies, in whole or in part, on the FDA's prior approval of another company's drug product; also known as a "505(b)(2) application") must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a "Paragraph IV" certification. In the case of ANDAs, the Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification. This filing triggers a regulatory process in which the FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications until 180 days after the first commercial marketing. For both ANDAs and 505(b)(2) applications, when litigation is brought by the patent holder, in response to this Paragraph IV certification, the FDA generally may not approve the ANDA or 505(b)(2) application until the earlier of 30 months or a court decision finding the patent invalid, not infringed or unenforceable. Submission of an ANDA or a 505(b)(2) application with a Paragraph IV certification can result in protracted and expensive patent litigation.

As a result of factors such as the adoption of the ACA, the recurring political focus on deficit reduction and public pressure on elected officials in reaction to price increases by certain pharmaceutical manufacturers, there is a significant likelihood of continued actions to control prices. The ACA mandated the creation of a new entity, the Independent Payment Advisory Board (the "IPAB"), which was granted unprecedented authority to implement broad actions to reduce future costs of the Medicare program. As part of its 2018 spending bill, Congress repealed the IPAB in February 2018. However, price reduction remains a major priority, and there is a strong possibility that government officials will continue to search for additional ways to reduce or control prices, including new federal or state legislation mandating drug price controls, which could include limits on annual price increases or maximum price levels. In 2017, several states passed legislation impacting pricing or requiring price transparency reporting, including California, Louisiana, Nevada and Maryland. The California law will require 60 day advance notification of price increases for products exceeding a specific threshold over the past two years, as well as additional quarterly reporting requirements.

Regulations in Japan

The Pharmaceutical Act

Manufacturers and sellers of drugs, quasi-drugs, cosmetics, medical devices and regenerative medical products in Japan are subject to the supervision of the Minister of Health, Labour and Welfare (the "Minister") primarily under the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics of Japan (the "Pharmaceutical Act"). Part of the work performed under the authority of the Minister may be undertaken by prefectural governors.

Under the Pharmaceutical Act, a person is required to obtain from the Minister a renewable, generally five-year manufacturing and marketing license in order to conduct the business of marketing, leasing or providing drugs, quasi-drugs, cosmetics, medical devices or regenerative medical products ("Designated Products"), as the case may be, that are manufactured (or outsourced to a third party for manufacturing) or imported by such person. The Minister has the power not to grant the license if (i) the methods of quality control for Designated Products are not in conformity with the standards known as the Good Quality Practice or the Quality Management System ("QMS"), each of which is stipulated by the ministerial ordinance of the MHLW, (ii) the methods of post-marketing safety management (collection and analysis of information and data necessary for proper use, including those related to quality, efficacy and safety, and necessary measures to be taken based on the results thereof) of the Designated Products are not in conformity with the standards known as the Good Vigilance Practice ("GVP"), stipulated by the ministerial ordinance of the MHLW or (iii) an applicant falls under certain disqualifying provisions of the Pharmaceutical Act. A manufacturer and seller that have obtained a manufacturing and marketing license must appoint a qualified general manufacturing and marketing supervisor in order to supervise product quality control and post-marketing safety management. The manufacturing and

marketing license holder must also comply with various other items stipulated by the ministerial ordinances of the MHLW conducting the licensed business.

In order to conduct the business of manufacturing drugs, quasi-drugs, cosmetics or regenerative medical products, as the case may be, a person is also required to obtain from the Minister a renewable, generally five-year manufacturing license for each manufacturing site, which is classified in accordance with the ministerial ordinance of the MHLW. The Minister has the power not to grant a license if (i) the facilities and equipment of the manufacturing site for drugs, quasi-drugs, cosmetics or regenerative medical products, as the case may be, are not in conformity with the standards stipulated by the ministerial ordinance of the MHLW or (ii) an applicant falls under certain disqualifying provisions of the Pharmaceutical Act. In order to engage in manufacturing of medical devices, a manufacturer is required to undertake a renewable registration, generally having a five-year term, for each manufacturing site.

In addition, in order to conduct the business of marketing, leasing or providing Designated Products, it is necessary under the Pharmaceutical Act to obtain product approval from the Minister for manufacturing and marketing for each kind of product (other than those specified by the Minister). An approval shall not be granted if (i) an applicant has not obtained the manufacturing and marketing license as set out above, (ii) a manufacturing site for the product has not obtained a manufacturing license to manufacture the relevant type of Designated Product, or has not undertaken a registration to manufacture the relevant type of medical devices, as the case may be, as set out above, (iii) as a result of a review of, among other things, the trade name, ingredients, quantities, manufacturing method, dosage and administration, method of use, indications, performance, side effects and other characteristics (in the case of regenerative medical products, cellular components and introduced genes will also be subject to review), (a) the relevant Designated Product are not recognized to have the indications or performance specified in the application, (b) the relevant Designated Product are found to have no value as drugs, quasi-drugs, medical devices or regenerative medical products since they have harmful side effects outweighing their indications or performance, or (c) the relevant Designated Product fall under the cases prescribed by the ministerial ordinances of the MHLW as not being appropriate as the relevant category of Designated Product or (iv) the methods of manufacturing control or quality control used in the manufacturing site for the relevant Designated Product, is not in conformity with Good Manufacturing Practices, QMS and the Good Gene, Cellular, and Tissue-based Products Manufacturing Practice stipulated by the ministerial ordinances of the MHLW.

The data of results of clinical trials and other pertinent data must be attached for an application for approval. If the drugs, medical devices or regenerative medical products under application are of types designated by ministerial ordinance of the MHLW, the attached data mentioned above must be obtained in compliance with the standards established by the Minister, such as the Good Laboratory Practice (“GLP”) and the Good Clinical Practice (“GCP”) stipulated by the ministerial ordinances of the MHLW. GLP is the standard for non-clinical safety studies on drugs, medical devices and regenerative medical products which provide the standards for personnel and organization for the tests, testing facilities and equipment, operation of testing, as well as for handling of certain substances/materials. GCP is the standard for clinical studies on drugs, medical devices and regenerative medical products for preparing, management and conducting of clinical trials. An application for the approval must be made through the PMDA, an independent administrative agency, which actually implements an approval review as set out above.

Any manufacturing and marketing license holder that obtained product approval for manufacturing and marketing of a new kind of drug or regenerative medical product as described above must have that drug or regenerative medical product re-examined by the Minister or the PMDA after a period ranging from four to ten years (depending on each type of product) from the date of the product approval if the drug or regenerative medical product is a new kind of product designated by the Minister. The re-examination is made by reconfirming whether the drug or regenerative product falls under any of the conditions for denying product approval which are described in (iii) above. Results of usage and other pertinent data must be attached for an application for a re-examination. In addition, if the product in question is a type of drug or regenerative medical product designated by ministerial ordinance of the MHLW, the attached data mentioned above must be obtained

pursuant to GLP, GCP and standards known as Good Post-marketing Study Practice. The manufacturing and marketing license holder that obtained the product approval is also required to investigate, among other things, the results of usage and to periodically report to the Minister pursuant to the Pharmaceutical Act and the ministerial ordinances of the MHLW.

In addition, drug and regenerative medical product will be subject to re-evaluation by the Minister if the Minister so designates in consultation with the Pharmaceutical Affairs and Food Sanitation Council and releases a public notice about the re-evaluation. In that event, the re-evaluation is made by reconfirming whether the drug or regenerative medical product falls under any of the conditions for denying product approval in the same way as the re-examination described above.

If any manufacturer and seller that obtained a manufacturing and marketing license as mentioned above becomes aware of an alleged serious side effect or infection from its products of a type prescribed by ministerial ordinance of the MHLW, the manufacturing and marketing license holder must report to the Minister in accordance with the ministerial ordinance of the MHLW generally within 15 or 30 days depending on the seriousness of the side effect or infection. In addition, generally, under the GVP, any manufacturer and seller who obtained a manufacturing and marketing license as mentioned above must intensively examine the post-marketing safety of the products for a six-month period from their release in order to promptly detect any harmful side effect or infection.

The Pharmaceutical Act also provides for special regulations applicable to drugs, quasi-drugs, cosmetics and medical devices made of biological raw materials. These regulations impose various obligations on manufacturers and other persons in relation to manufacturing facilities, explanation to patients, labeling on products, record-keeping and reporting to the Minister.

Furthermore, under the Pharmaceutical Act, the Minister or a prefectural governor may take various measures to supervise manufacturing and marketing license holders of Designated Products. For example, the Minister or a prefectural governor may require manufacturing and marketing license holders of Designated Products to submit reports, and carry out inspections at their offices, if deemed necessary to monitor their compliance with the laws and regulations. The Minister has authority to order manufacturing and marketing license holders to temporarily suspend the marketing, leasing or providing of the Designated Products in order to prevent risks, or increases in risks, to the public health. Also, the Minister may revoke a license or approval granted to a manufacturing and marketing license holders, or order a temporary business suspension under certain limited circumstances such as violation of laws relating to drugs.

Price Regulation

In Japan, public medical insurance systems cover virtually the entire Japanese population. The public medical insurance system, however, is not applicable to any pharmaceutical product which is not listed on the NHI price list published by the Minister. To sell a pharmaceutical product in Japan, a manufacturer or a seller of pharmaceutical products must first have a new pharmaceutical product listed on the NHI price list for coverage under the public medical care insurance systems. Most prescription pharmaceutical products are used in medical services under the public medical insurance systems. The NHI price list provides rates for calculating the costs of pharmaceutical products used in medical services which may be charged to insurers, such as the national government, local government and health insurance societies, under the public medical insurance systems.

When a new pharmaceutical product is listed on the NHI price list, the price of the pharmaceutical product is determined either by daily price comparison of comparable pharmaceutical products with necessary adjustments for, such as, innovativeness, usefulness or size of the market, or, in the absence of comparable pharmaceutical products, by the cost calculation method, after consideration of the opinion of the manufacturer. Prices on the NHI price list are subject to revision, generally once every two years, on the basis of the actual prices at which the pharmaceutical products are purchased by medical institutions. To date, various methods, including a formula intended to accurately reflect the actual market prices, have been used.

In December 2016, the Japanese government announced basic reform principles for fundamental reforms of the drug pricing system, including an increase in the frequency of price revisions from every other year to annually. Annual price revisions are scheduled to become applicable from the fiscal year ending March 31, 2022.

In addition to the foregoing, we are subject to other laws and regulations in Japan applicable to pharmaceutical companies, including with respect to the possession and handling of regulated pharmaceutical substances.

Regulations in the EU

In the EU, there are three main procedures for application for authorization to market pharmaceutical products in the EU Member States: the Centralized Procedure, the Mutual Recognition Procedure and the Decentralized Procedure. It is also possible to obtain a pure national authorization for products intended for commercialization in a single EU Member State only, or for additional indications for licensed products.

Under the Centralized Procedure, applications are made to the EMA for an authorization which is valid throughout the EU. The Centralized Procedure is mandatory for all biotechnology products and for new chemical entities in cancer, neurodegenerative disorders, diabetes and AIDS, autoimmune diseases or other immune dysfunctions and optional for other new chemical entities or innovative medicinal products or in the interest of public health. When a pharmaceutical company has gathered data which it believes sufficiently demonstrates a drug's safety, efficacy and quality, then the company may submit an application to the EMA. The EMA then receives and validates the application and the Committee for Medicinal Products for Human Use (the "CHMP") appoints a Rapporteur and Co-Rapporteur to lead review of the dossier. The entire review cycle must be completed within 210 days, although there is a "clock stop" at day 120, which allows the company to respond to questions set forth in the Rapporteur and Co-Rapporteur's Assessment Report. After the company's complete response is submitted to the EMA, the clock restarts on day 121. If there are further aspects of the dossier requiring clarification, the EMA will then request an Oral Explanation on day 180, in which case the sponsor must appear before the CHMP to provide the requested additional information. On day 210, the CHMP will then take a vote to recommend the approval or non-approval of the application. The final decision under this Centralized Procedure is a European Community decision which is binding in its entirety on all EU Member States. This decision occurs on average 60 days after a positive CHMP recommendation. In the case of a negative opinion, a written request for re-examination of the opinion can be made by the applicant within a time limit of 15 days from the date of the opinion. The detailed grounds for re-examination must be submitted to the EMA within 60 days from the date of the opinion.

Under the Mutual Recognition Procedure (the "MRP"), the company first obtains a marketing authorization from a single EU Member State, called the Reference Member State (the "RMS"), which will act for the marketing authorization holder to progressively gain national approval in the other EU Member States on the basis of the RMS's assessment. In the Decentralized Procedure (the "DCP"), the application is done simultaneously in selected or all Member States if a medicinal product has not yet been authorized in a Member State. During the DCP, the RMS drafts a Preliminary Assessment Report within 70 days, which is sent to the Concerned Member States (the "CMS") for comments by day 100. On day 105, if no consensus is reached on approval, there is a "clock stop." The clock is restarted on day 106 after the applicant's responses are received by the RMS and CMSs. Between day 106 and day 120, the RMS updates the preliminary assessment report for consideration by CMSs. If consensus is reached on day 120, then the procedure is closed. This will then proceed to the 30 days national procedure for implementing the decision if the product is considered approvable. Otherwise, the procedure will continue until day 210 or until consensus is reached. If consensus is not reached on day 210, the matter is referred to the Co-ordination Group for Mutual Recognition and Decentralized Procedures – Human and eventually to the CHMP for arbitration.

After the Marketing Authorizations have been granted, the company must submit periodic safety reports to the EMA, if approval was granted under the Centralized Procedure, or to the National Health Authorities, if approval was granted under the DCP or the MRP. In addition, several pharmacovigilance measures must be

implemented and monitored including Adverse Event collection, evaluation and expedited reporting and implementation, as well as update Risk Management Plans. For some medications, post approval studies (Phase IV) may be required to complement available data with additional data to evaluate long term effects (called a Post Approval Safety Study) or to gather additional efficacy data (called a Post Approval Efficacy Study).

European Marketing Authorizations have an initial duration of five years. After this first five year period, the holder of the marketing authorization must apply for its renewal, which may be granted based on the competent authority's full benefit-risk review of the product. Once renewed, the marketing authorization is generally valid for an unlimited period. Any Marketing Authorization which is not followed within three years of its granting by the actual placing on the market in any EU member state of the corresponding medicinal product ceases to be valid.

In addition, our operations are subject to significant price and marketing regulations. Many governments in the EU are introducing healthcare reforms in an attempt to curb increasing healthcare costs. The governments in the EU influence the price of pharmaceutical products through their control of national healthcare systems that fund a large part of the cost of such products to patients. The general downward pressure on healthcare costs, particularly with regard to prescription drugs, has been increasing. In addition, prices for marketed products are referenced within and amongst the EU Member States, which further affect pricing in each EU Member State. As an additional control for healthcare budgets, some EU Member States have passed legislation to impose further mandatory rebates for pharmaceutical products and financial claw-backs on the pharmaceutical industry. The impact of these rebates and claw-backs on pricing of pharmaceutical products can be difficult to predict.

Others

Many other countries around the world are also taking steps to control prescription drug prices. For example, in 2017, China organized national price negotiations for certain products directly linked to national drug reimbursement, which will apply nationwide both in public and military hospitals, with drug price reductions of more than 60% in some cases. Drug prices in China may further decline due to a stated national policy of reducing healthcare costs, including continued strategic initiatives specifically designed to reduce drug prices. Canada has proposed amendments to its Patented Medicines Regulations in 2017 that could reduce prices for specialty medicines, such as biologics and medicines for rare diseases, by as much as 30% to 40%.

C. Organizational Structure.

The following table lists the Company's consolidated subsidiaries (including those organized as partnerships) as of March 31, 2018 and their respective countries of incorporation.

<u>Name</u>	<u>Country</u>	<u>Ownership Interest</u> (%)
Takeda Pharmaceuticals International, Inc.	United States	100.0
Takeda Pharmaceuticals U.S.A., Inc.	United States	100.0
Millennium Pharmaceuticals, Inc.	United States	100.0
ARIAD Pharmaceuticals, Inc.	United States	100.0
Takeda California, Inc.	United States	100.0
Takeda Vaccines, Inc.	United States	100.0
Takeda Development Center Americas, Inc.	United States	100.0
Takeda Ventures, Inc.	United States	100.0
Takeda Europe Holdings B.V.	Netherlands	100.0
Takeda A/S	Denmark	100.0
Takeda Pharmaceuticals International AG.	Switzerland	100.0
Takeda GmbH	Germany	100.0
Takeda Pharma Vertrieb GmbH & Co.KG.	Germany	100.0
Takeda Italia S.p.A.	Italy	100.0
Takeda Austria GmbH	Austria	100.0
Takeda Pharma Ges.m.b.H.	Austria	100.0
Takeda France S.A.S.	France	100.0
Takeda Pharma A/S	Denmark	100.0
Takeda AS	Norway	100.0
Takeda Belgium SCA/CVA	Belgium	100.0
Takeda UK Limited	U.K.	100.0
Takeda Oy	Finland	100.0
Takeda Pharma AG	Switzerland	100.0
Takeda Farmaceutica Espana S.A.	Spain	100.0
Takeda Nederland B.V.	Netherlands	100.0
Takeda Pharma AB	Sweden	100.0
Takeda Pharma Sp.z o.o.	Poland	100.0
Takeda Hellas S.A.	Greece	100.0
Takeda Ireland Limited	Ireland	100.0
Takeda Development Centre Europe Ltd.	U.K.	100.0
Takeda Canada Inc.	Canada	100.0
Takeda Pharmaceuticals Limited Liability Company	Russia	100.0
Takeda Yaroslavl Limited Liability Company	Russia	100.0
Takeda Ukraine LLC	Ukraine	100.0
Takeda Kazakhstan LLP	Kazakhstan	100.0
Takeda Distribuidora Ltda.	Brazil	100.0
Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. ⁽¹⁾	Brazil	100.0
Takeda Pharma Ltda.	Brazil	100.0
Takeda Mexico S.A. de C.V.	Mexico	100.0
Takeda Pharma, S.A.	Argentina	100.0
Takeda (China) Holdings Co., Ltd.	China	100.0
Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.	Singapore	100.0
Guangdong Techpool Bio-Pharma Co., Ltd. ⁽²⁾	China	51.3
Takeda Pharmaceutical (China) Company Limited	China	100.0
Tianjin Takeda Pharmaceuticals Co., Ltd.	China	100.0
Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0
Takeda (Thailand), Ltd. ⁽³⁾	Thailand	52.0

<u>Name</u>	<u>Country</u>	<u>Ownership Interest</u> (%)
Takeda Pharmaceuticals Taiwan, Ltd.	Taiwan	100.0
P.T. Takeda Indonesia	Indonesia	70.0
Takeda Healthcare Philippines, Inc.	Philippines	100.0
Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0
Takeda Vaccines Pte. Ltd.	Singapore	100.0
Takeda (Pty.) Ltd.	South Africa	100.0
Takeda Pharmaceuticals Australia Pty. Ltd.	Australia	100.0
Takeda İlaç Sağlık Sanayi Ticaret Limited Şirketi	Turkey	100.0
Takeda Consumer Healthcare Company Limited	Japan	100.0
Nihon Pharmaceutical Co., Ltd.	Japan	87.3
Takeda Healthcare Products Co., Ltd.	Japan	100.0
Axcelead Drug Discovery Partners, Inc. ⁽⁴⁾	Japan	100.0
71 additional immaterial subsidiaries		

Notes:

- (1) In July 2018, we sold and divested all our shares and assets in Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. to Novamed Fabricação de Produtos Farmacêuticos Ltda.
- (2) In August 2018, we sold and divested all our shares and assets in Guangdong Techpool Bio-Pharma Co., Ltd. to Shanghai Pharmaceutical Holding Co. Ltd., pursuant to the agreement we signed in May 2018.
- (3) In April 2018, we purchased additional shares of Takeda (Thailand), Ltd. and we own 100.0% of its ownership interests as of September 30, 2018.
- (4) In August 2018, we entered into an agreement with Whiz Partners, Inc. to create a joint investment fund, Drug Discovery Gateway Investment Limited Partnership, for which we will make an in-kind investment of Axcelead Drug Discovery Partners Inc. After we make such in-kind investment, Axcelead Drug Discovery Partners Inc. will no longer be our wholly-owned subsidiary.
- (5) We completed the acquisition of TiGenix NV on July 31, 2018.

D. Property, Plants and Equipment.

Our head offices are located in Osaka, Japan and Tokyo, Japan. We generally own our facilities, or have entered into long-term lease arrangements for them.

As of March 31, 2018, the net book values of the buildings and structures, land, machinery and vehicles and tools, furniture and fixtures we owned were ¥293.6 billion, ¥69.7 billion, ¥99.0 billion and ¥19.6 billion, respectively. We own the substantial majority of our facilities, none of which are subject to any material encumbrances. The following table describes our major facilities as of March 31, 2018:

<u>Group Company</u>	<u>Name of facility (location)</u>	<u>Type of facility</u>
Takeda Pharmaceutical Company Limited	Head Office (Chuo-ku, Osaka and other)	Administrative and sales
Takeda Pharmaceutical Company Limited	Global Head Office (Chuo-ku, Tokyo)	Administrative and sales
Takeda Pharmaceutical Company Limited	Osaka Plant (Yodogawa-ku, Osaka)	Manufacturing, Research and Development
Takeda Pharmaceutical Company Limited	Hikari Plant (Hikari, Yamaguchi)	Manufacturing, Research and Development
Takeda Pharmaceutical Company Limited	Shonan Research Center (Fujisawa, Kanagawa)	Research
Takeda Real Estate Co, Ltd.	Takeda Midosuji Building and others (Chuo-ku, Osaka)	Lease facilities
Nihon Pharmaceutical Co. Ltd.	Osaka Plant and other (Izumisano, Osaka)	Manufacturing, Research and Development

<u>Group Company</u>	<u>Name of facility (location)</u>	<u>Type of facility</u>
Takeda Healthcare Products Co., Ltd.	Head Office Plant (Fukuchiyama, Kyoto)	Manufacturing
Millennium Pharmaceuticals, Inc.	Head Office Plant and other properties (Cambridge, Massachusetts, U.S.)	Research and Development
Takeda Ireland Limited	Head Office Plant and other properties (Kilruddery and Dublin, Ireland)	Manufacturing
Takeda Pharmaceuticals U.S.A., Inc.	Head Office (Deerfield, Illinois, U.S.)	Administrative and sales

Environmental Matters

We are subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where we manufacture and sell our products or otherwise operate our business. These requirements include regulation of the handling, manufacture, transportation, use and disposal of materials, including the discharge of pollutants into the environment. In the normal course of our business, we are exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and which could require remediation of contaminated soil and groundwater, in some cases over many years, regardless of whether the contamination was caused by us, or by previous occupants of the property. See “Item 3. Key Information—D. Risk Factors—We may incur substantial costs due to our environmental compliance efforts or claims relating to our use, manufacture, handling, storage or disposal of hazardous materials.”

Glossary of Technical Terminology

By its nature, any description of the pharmaceuticals business requires the use of certain technical terminology. The following glossary of technical terminology is intended to assist investors in understanding our business.

<u>Term</u>	<u>Description</u>
Anaplastic lymphoma kinase (ALK)	An enzyme with chromosomal rearrangements that are key drivers in a subset of NSCLC patients.
Antibody-drug conjugate (ADC)	An important pharmaceutical class of drugs designed as a targeted therapy for the treatment of cancer.
Ataxia	An inability to coordinate voluntary muscular movements that is symptomatic of some disorders of the central nervous system.
Chronic myeloid leukemia	A form of leukemia affecting predominantly blood-forming cells (called myeloid cells) in the bone marrow and leading to the accumulation of these leukemia cells in the blood.
Crohn’s disease	An inflammatory bowel disease (IBD) that causes inflammation of the digestive tract lining, which can lead to abdominal pain, severe diarrhea, fatigue, weight loss and malnutrition.
Endometriosis	The presence and growth of functioning endometrial tissue in places other than the uterus that often results in severe pain and infertility.

<u>Term</u>	<u>Description</u>
Epidermal growth factor receptor (EGFR)	The protein found on the surface of some cells to which epidermal growth factor binds, causing the cells to divide. It is found at abnormally high levels on the surface of many types of cancer cells, so these cells may divide excessively in the presence of epidermal growth factors. Also called ErbB1 and HER1.
Epilepsy	Any of various disorders marked by abnormal electrical discharges in the brain and typically manifested by sudden brief episodes of altered or diminished consciousness, involuntary movements, or convulsions.
Gastroenterology (GI)	The branch of medicine concerned with the structure, functions, diseases, and pathology of the stomach and intestines.
Gastroesophageal reflux disease (GERD)	A more serious form of gastroesophageal reflux (GER). GER occurs when the lower esophageal sphincter opens spontaneously, for varying periods of time, or does not close properly, causing stomach contents rise up into the esophagus.
Generic drug	A pharmaceutical product, usually intended to be interchangeable with an innovator product, which is manufactured without a license from the innovator company and marketed after the expiry date or invalidation of the patent or other exclusive rights.
Good Clinical Practice (GCP)	A set of standards for the design, conduct, performance, monitoring, auditing, recording, analysis and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate, and that the rights, integrity and confidentiality of trial subjects are protected.
Good Laboratory Practice (GLP)	A set of rules and criteria that provides a framework within which laboratory studies are planned, performed, monitored, recorded, reported and archived.
Hodgkin lymphoma (HL)	Hodgkin's disease is a type of lymphoma. Lymphoma is cancer of lymph tissue found in the lymph nodes, spleen, liver, and bone marrow.
Human monoclonal antibody	An antibody, which is used to identify, quantify, isolate or remove the target molecule in complex biological mixtures or in tissues and injected into patients for the treatment of a wide range of diseases including infections, cancer, cardiovascular diseases and autoimmune diseases.
Hypertension	1: Abnormally high arterial blood pressure that is usually indicated by an adult systolic blood pressure of 140 mm Hg or greater or a diastolic blood pressure of 90 mm Hg or greater that is chiefly of unknown cause but may be attributable to a preexisting condition (such as a renal or endocrine disorder), that typically results in a thickening and inelasticity of arterial walls and hypertrophy of the left heart

<u>Term</u>	<u>Description</u>
.....	ventricle and that is a risk factor for various pathological conditions or events (such as heart attack, heart failure, stroke, end-stage renal disease or retinal hemorrhage). 2: A systemic condition resulting from hypertension that is either symptomless or is accompanied especially by dizziness, palpitations, fainting, or headache.
Indication	A symptom or particular circumstance that justifies a specific medical treatment or procedure.
Lead compound	A chemical compound that has pharmacological or biological activity and whose chemical structure is used as a starting point for chemical modifications in order to improve potency, selectivity, or pharmacokinetic parameters.
LH-RH agonist	A compound that is similar to luteinizing hormone-releasing hormone (LH-RH) in structure and can act like LH-RH.
Major depressive disorder (MDD)	A medical illness that causes a persistent feeling of sadness and loss of interest. MDD can cause physical symptoms as well.
Multiple myeloma (MM)	A type of cancer affecting plasma cells, a type of white blood cell that produces antibodies and is located in the bone marrow, that is characterized by the presence of numerous myelomas in various bones of the body.
Neuroscience	The study of the central nervous system (i.e., the brain and the spinal cord) and the therapeutic area relating to disorders thereof.
Non-small cell lung cancer (NSCLC)	A group of lung cancers excluding small cell lung cancer that affects various types of lung cells and together constitute the most common types of lung cancer. The most common types of NSCLC are adenocarcinoma, squamous cell carcinoma and large cell carcinoma.
Oncology	The branch of medicine dealing with the physical, chemical, and biological properties of tumors and cancers, including study of their development, diagnosis, treatment and prevention.
Parkinson's disease	A chronic progressive neurological disease chiefly affecting people in later life that is linked to decreased dopamine production in the substantia nigra. Parkinson's disease is of unknown cause, and is marked especially by tremor of resting muscles, rigidity, slowness of movement, impaired balance, and shuffling gait. Also referred to as paralysis agitans, parkinsonian syndrome, parkinsonism or Parkinson's syndrome.
Philadelphia chromosome positive acute lymphoblastic leukemia	A form of leukemia affecting immature white blood cells called lymphocytes in the bone marrow and characterized by the presence of the Philadelphia chromosome, which refers to a specific genetic abnormality in the leukemia cells.

<u>Term</u>	<u>Description</u>
Prescription drug	A drug that is regulated by legislation to require a medical prescription from a doctor, dentist or other healthcare professional before it can be obtained.
Proteasome	A protein degradation “machine” within the cell that can digest a variety of proteins into short polypeptides and amino acids.
Proteasome inhibitor	A drug that blocks the action of proteasomes, which are cellular complexes that break down proteins such as the p53 protein. Proteasome inhibitors are being studied in the treatment of cancer, especially MM.
Proton pump	An enzyme that functions in the final stages of acid secretion in gastric parietal cells.
Proton pump inhibitor	A drug whose main action is to reduce the production of acid by the stomach and works to help symptoms of GERD.
Quasi-drugs	A category of products found in the Pharmaceutical Act. Quasi-drugs are products that have a mild effect on the human body, used to treat conditions such as the following: nausea, halitosis (bad breath), body odor, heat rash, skin inflammation, hair loss and unwanted hair growth. Quasi-drugs also include certain health drinks that contain vitamins and/or calcium and digestive or gastric remedies.
Relapsed mantle cell lymphoma	A late form of non-HL, which is a cancer of the white blood cells.
Schizophrenia	Schizophrenia is a severe, lifelong brain disorder. Persons suffering from schizophrenia may hear voices, experience hallucinations or believe that others are reading or controlling their minds.
Substance patent	The patent covering a drug’s active ingredient.
Systemic anaplastic large cell lymphoma (sALCL)	Anaplastic large cell lymphoma (ALCL) is a distinct form of non-Hodgkin lymphoma. Systemic ALCL is more common than the cutaneous form and most frequently occurs in the first three decades of life. Clinically, systemic ALCL is characterized by advanced disease at presentation (75% of pediatric ALCL) with a high incidence of nodal involvement (>90%), frequent association with B symptoms (75%), and frequent extra-nodal involvement including skin (25%), lung (10%), bone (17%) and liver (8%).
Ulcerative colitis	A form of inflammatory bowel disease (IBD). Ulcerative colitis is a form of colitis, a disease of the intestine, specifically the large intestine or colon, which causes ulcers, or open sores, in the colon. The main symptom of active disease is usually constant diarrhea mixed with blood, of gradual onset. Ulcerative colitis has similarities to Crohn’s disease, another form of IBD.

Appendix: Business of Shire

Shire and its subsidiaries is the leading global biotechnology company focused on serving people with rare diseases and other highly specialized conditions. Shire has grown both organically and through acquisition, completing a series of major transactions that have brought therapeutic, geographic and pipeline growth and diversification.

Currently marketed products

The table below lists Shire’s main marketed products as of September 30, 2018, indicating the disease area and the key territories in which Shire markets the product.

<u>Products</u>	<u>Disease area</u>	<u>Key territories</u>
<u>Hematology</u>		
ADVATE (Antihemophilic Factor (Recombinant))	Hemophilia A	Global
ADYNOVATE/ADYNOVI (Antihemophilic Factor (Recombinant), PEGylated)	Hemophilia A	U.S., Europe, Canada and Japan
RIXUBIS (Coagulation Factor IX (Recombinant))	Hemophilia B	U.S., Japan, Europe, Australia and Canada
VONVENDI/VEYVONDI (von Willebrand Factor (Recombinant))	Von Willebrand Disease	U.S. and EU
FEIBA (Anti-Inhibitor Coagulant Complex)	Hemophilia A and B patients with inhibitors	Global
OBIZUR (Factor VIII)	Hemophilia A	Global
MyPKFiT	Hemophilia A	U.S. (amendment to Drug BLA) and EU (CE marked Class I medical device)
<u>Genetic Diseases</u>		
ELAPRASE (idursulfase)	Hunter Syndrome (Mucopolysaccharidosis Type II, MPS II)	Global ⁽¹⁾
REPLAGAL (agalsidase alfa)	Fabry Disease	Europe, Latin America and Asia Pacific ⁽²⁾
VPRIV (velaglucerase alfa)	Gaucher disease, Type I	Global
<u>Neuroscience</u>		
VYVANSE/VENVANSE/ELVANSE/TYVENSE/VUXEN/ ADUVANZ (lisdexamfetamine dimesylate)	Attention Deficit Hyperactivity Disorder (“ADHD”) and binge eating disorder (“BED”) ADHD only	U.S., Canada, Europe and Brazil ⁽³⁾
ADDERALL XR (mixed salts of a single-entity amphetamine)	ADHD	U.S. and Canada
MYDAYIS (mixed salts of a single-entity amphetamine)	ADHD	U.S.
<u>Immunology</u>		
GAMMAGARD LIQUID/KIOVIG (Immune globulin intravenous (Human))	Primary immunodeficiency	Global ⁽⁴⁾
GAMMAGARD S/D (Immune globulin intravenous (Human))	Primary immunodeficiency	U.S., Europe, Canada and Japan

<u>Products</u>	<u>Disease area</u>	<u>Key territories</u>
HYQVIA (Immune Globulin Infusion 10% (Human) with Recombinant Human Hyaluronidase)	Primary immunodeficiency	U.S., Europe, Canada and Australia
CUVITRU (Immune Globulin Subcutaneous (Human))	Primary immunodeficiency	U.S., Europe and Canada
FLEXBUMIN (Human Albumin)	Hypovolemia, hypoalbuminemia	Global
CINRYZE (C1 esterase inhibitor (human))	HAE	U.S., Canada, Europe and Latin America ⁽⁵⁾
FIRAZYR (icatibant)	HAE	Global
<i>Internal Medicine</i>		
FOSRENOL (lanthanum carbonate)	Hyperphosphatemia in CKD-5D	Global ^{(6), (7), (8)}
LIALDA (mesalamine)/MEZAVANT (mesalamine)	Ulcerative Colitis	U.S., Canada, Europe and Japan ^{(8), (9), (10)}
PENTASA (mesalamine)	Ulcerative Colitis	U.S.
GATTEX/REVESTIVE (teduglutide (rDNA origin))	Short Bowel Syndrome (SBS)	U.S., Europe, Canada and Australia ⁽¹¹⁾
NATPAR/A (parathyroid hormone)	Control of hypocalcemia in patients with hypoparathyroidism	Global ⁽¹²⁾
<i>Ophthalmic</i>		
XIIDRA (lifitegrast ophthalmic solution) 5%	Dry eye disease	Global

Notes:

- (1) Marketed by Genzyme in Asia Pacific, Japan and South Africa under license.
- (2) Marketed in Japan under license by Sumitomo Dainippon Pharma Co., Ltd., and distributed in Taiwan by Excelsior Company Ltd.
- (3) Marketed in Brazil as VENVANSE and in the EU as ELVANSE or TYVANSE.
- (4) Marketed in the U.S. as GAMMAGARD LIQUID and in the EU as KIOVIG.
- (5) Shire owns European rights, except in Belgium, Finland, Luxembourg and the Netherlands, which are owned by Sanquin.
- (6) Marketed in Japan by Bayer under license.
- (7) Depending on the market, available as chewable tablet and/or oral powder.
- (8) Marketed by distributors in certain other markets.
- (9) Marketed in Japan by Mochida under license.
- (10) Marketed in the U.S. as LIALDA and in Europe as MEZAVANT XL or MEZAVANT.
- (11) Marketed in the U.S. as GATTEX and in Europe and Canada as REVESTIVE.
- (12) Global rights, with the exception of Israel.

In hematology, Shire's principal products include:

- ADVATE (Antihemophilic Factor (Recombinant)), a recombinant Factor VIII (rFVIII) therapy. ADVATE is a recombinant antihemophilic factor indicated for use in adults and children with hemophilia A (congenital Factor VIII deficiency) for control and prevention of bleeding episodes, perioperative management and routine prophylaxis to prevent or reduce the frequency of bleeding episodes. It was approved in the U.S. in 2003 and the EU in 2004. As of September 30, 2018, it was approved in 70 countries worldwide.

- ADYNOVATE/ADYNOVI, an extended half-life rFVIII treatment for hemophilia A based on ADVATE. ADYNOVATE/ADYNOVI uses the same manufacturing process as ADVATE and adds a proven technology, PEGylation (a chemical process that prolongs the amount of time a compound remains in circulation, potentially allowing for fewer injections), which Shire has exclusively licensed from Nektar Therapeutics. ADYNOVATE was approved in the U.S. in November 2015 and in Japan in March 2016. It was approved under the name ADYNOVI in the EU in January 2018 and in Switzerland in September 2016.
- RIXUBIS (Coagulation Factor IX (Recombinant)) was launched in the U.S. in 2013 for the treatment of hemophilia B. RIXUBIS is an injectable medicine used to replace clotting Factor IX that is missing in people with hemophilia B. RIXUBIS was approved in the EU in December 2014 and Japan in December 2014. As of September 30, 2018, RIXUBIS was approved in 46 countries.
- FEIBA (Activated Prothrombin Complex Concentrate—aPCC), a plasma based inhibitor bypass therapy. Currently, FEIBA is the only agent indicated for use in all three settings; on demand, prophylaxis and surgery. FEIBA can be used in both hemophilia A and hemophilia B patients with inhibitors for control of spontaneous bleeding episodes, to cover surgical interventions and routine prophylaxis to prevent or reduce the frequency of bleeding episodes. FEIBA was first approved in the U.S. in 1986, and as of September 30, 2018 was approved in 74 countries. In a number of markets (not the U.S.), FEIBA is also approved for acquired hemophilia.
- VONVENDI/VEYVONDI, a recombinant von Willebrand factor (VWF) used to replace the VWF the body is missing in von Willebrand disease. VONVENDI is a first in class recombinant factor and was approved by the FDA in December 2015, for on-demand treatment and control of bleeding episodes in adults 18 years and above with VWD. VONVENDI/VEYVONDI can also be given independent of recombinant Factor VIII (rFVIII), based on patient need. This attribute allows for tailored treatment for patients who may not require additional FVIII. VONVENDI/VEYVONDI was approved in the EU in August 2018.
- myPKFiT is Shire's latest development in the personalization of hemophilia care, building on Shire's strong commitment to continued innovation in hematology. Patients have complex needs and treatment goals that cannot be met with a one-size-fits-all approach. myPKFiT offers a personalized approach to hemophilia care that allows healthcare professionals to consider their patients' individual needs and to educate them on their personal pharmacokinetic (PK) profiles. Healthcare professionals can estimate a full PK curve with as few as two measurable blood samples, compared to 9 to 11 as recommended by international guidelines. Using the patient's individualized PK curve and additional patient information, healthcare professionals can develop a personalized, PK-guided prophylactic ADVATE or ADYNOVATE treatment regimen tailored to the individual patient's needs and treatment plan. The myPKFiT software is accompanied by a mobile application for patients that allows users to view estimated FVIII levels, track their treatment, and export data. myPKFiT is only approved in the U.S. for use with ADVATE.

In genetic diseases, Shire's principal products include:

- REPLAGAL, an enzyme replacement marketed for the treatment of Fabry disease outside of the U.S. Fabry disease is a rare, inherited genetic disorder resulting from a deficiency in the activity of the lysosomal enzyme alpha-galactosidase A, which is involved in the breakdown of fats. REPLAGAL is a fully human alpha-galactosidase A protein made in a human cell line which is designed to replace the deficient alpha-galactosidase A with an active enzyme to ameliorate certain clinical manifestations of Fabry disease. In August 2001, REPLAGAL was granted marketing authorization in the EU. As of September 30, 2018, REPLAGAL was approved in 61 countries, excluding the U.S.
- VPRIV, an enzyme replacement treatment for type 1 Gaucher disease. Gaucher disease is a rare, inherited genetic disorder which results in a deficiency of the lysosomal enzyme beta-

glucocerebrosidase. VPRIV was approved by the FDA in February 2010, for long term enzyme replacement therapy for patients with type 1 Gaucher disease. The EMA approved the marketing authorization for the use of VPRIV in August 2010. VPRIV has been granted orphan drug status in the EU with up to 12 years of market exclusivity from August 2010. As of September 30, 2018, VPRIV was approved in 54 countries.

- ELAPRASE, an enzyme replacement treatment for Hunter syndrome (also known as Mucopolysaccharidosis Type II or MPS II). Hunter syndrome is a rare, inherited genetic disorder, mainly affecting males that interferes with the body's ability to break down and recycle waste substances. ELAPRASE was approved by the FDA in July 2006 and granted marketing authorization by the EMA in January 2007 for the long term treatment of patients with Hunter syndrome. ELAPRASE benefits from the 12 years of data exclusivity from the date of grant of registration given to innovator biologics in the U.S. under the ACA. ELAPRASE received approval from the MHLW in October 2007. As part of an agreement with Genzyme, Genzyme manages the sales and distribution of ELAPRASE in Japan as well as certain other countries in the Asia Pacific region. As of September 30, 2018, ELAPRASE was approved in 71 countries.

In neuroscience, Shire's principal products include:

- VYVANSE, a stimulant for the treatment of ADHD, where the amino acid l-lysine is linked to d-amphetamine. VYVANSE is therapeutically inactive until metabolized in the body. The FDA approved VYVANSE as a once-daily treatment for children aged 6 to 12 with ADHD in February 2007, for adults in April 2008 and for adolescents aged 13 to 17 in November 2010. In addition, VYVANSE became the first drug in its class to be approved by the FDA for maintenance treatment, having been approved both as a maintenance treatment in adults with ADHD in January 2012, and for maintenance treatment in pediatrics and adolescents aged 6 to 17 in April 2013. VYVANSE is available in the U.S. in seven dosage strengths and in two different formulations capsules and chewable. The product is approved and marketed in selected European countries, Australia, Canada and Latin America under a variety of trade names VYVANSE/VENVANSE/ELVANSE/TYVENSE/VUXEN/ADUVANZ. VYVANSE was also approved in the U.S. in January 2015 as the first and only treatment of moderate to severe BED in adults. VYVANSE was approved for the treatment of BED in Canada on September 30, 2018.
- ADDERALL XR, an extended release treatment for ADHD designed to provide once-daily dosing. The FDA approved ADDERALL XR as a once-daily treatment for children aged 6 to 12 with ADHD in October 2001, for adults in August 2004 and for adolescents aged 13 to 17 in July 2005.
- MYDAYIS (mixed salts of a single-entity amphetamine product), a once-daily, extended-release treatment composed of three types of drug-releasing beads now available for prescription in the United States. The FDA approved MYDAYIS on June 20, 2017 for patients 13 years and older with ADHD. MYDAYIS is not for use in children 12 years and younger.

In immunology, Shire's principal products include:

- GAMMAGARD LIQUID (Immune Globulin Intravenous (Human) 10%), a liquid formulation of the antibody replacement therapy immunoglobulin product. It was originally approved by the FDA in April 2005. GAMMAGARD LIQUID is used to treat adult and pediatric patients two years of age or older with primary immunodeficiencies ("PID") and can be administered either intravenously or subcutaneously. GAMMAGARD LIQUID is also used to treat adult patients with multifocal motor neuropathy (MMN) administered intravenously. It can be administered either intravenously or subcutaneously. KIOVIG is the brand name used for GAMMAGARD LIQUID in many countries outside of the U.S. KIOVIG is approved in Europe for use by patients with PID and certain secondary immunodeficiencies, and for adults with MMN. As of September 30, 2018, GAMMAGARD LIQUID/KIOVIG was approved in 72 countries.

- GAMMAGARD S/D (Immune Globulin Intravenous (Human)) IgA less than 1 µg/mL in a 5% solution is indicated for the treatment of PID in patients two years old and older. GAMMAGARD S/D is also indicated for prevention of bacterial infections in hypogammaglobulinemia and/or recurrent bacterial infections associated with Bcell chronic lymphocytic leukemia (CLL), treatment of adult patients with chronic idiopathic thrombocytopenic purpura (ITP) to increase platelet count and to prevent and/or control bleeding, and prevention of coronary artery aneurysms associated with Kawasaki Syndrome in pediatric patients. GAMMAGARD S/D is provided for patients who require a low IgA content in their IV treatment (IgA less than 1 µg/mL in a 5% solution). GAMMAGARD S/D was initially approved in the U.S. in 1994. As of September 30, 2018, GAMMAGARD S/D was approved in 21 countries.
- HYQVIA (Immune Globulin Infusion 10% (Human) with Recombinant Human Hyaluronidase), a product consisting of human normal immunoglobulin (IG) and recombinant human hyaluronidase (licensed from Halozyme). The IG provides the therapeutic effect and the recombinant human hyaluronidase facilitates the dispersion and absorption of the IG administered subcutaneously, increasing its bioavailability. The IG is a 10% solution that is prepared from human plasma consisting of at least 98% immunoglobulin G, which contains a broad spectrum of antibodies. HYQVIA is the only subcutaneous IG treatment for PID patients with a dosing regimen requiring only one infusion up to once per month and one injection site per infusion to deliver a full therapeutic dose of IG. HYQVIA is approved in Europe for use by patients with PID syndromes and myeloma or CLL with severe secondary hypogammaglobulinemia and recurrent infections, and in the United States for adults with PID. HYQVIA was approved in Europe in May 2013 and the U.S. in September 2014. As of September 30, 2018, HYQVIA was approved in 36 countries.
- CUVITRU, an Immune Globulin Subcutaneous (Human) (IGSC) 20% Solution indicated as replacement therapy for primary humoral immunodeficiency in adult and pediatric patients two years of age and older. CUVITRU is also indicated in the EU for the treatment of certain secondary immunodeficiencies. CUVITRU is the only 20% subcutaneous IG treatment option without proline and with the ability to infuse up to 60 mL (12 grams) per site and 60 mL per hour, per site as tolerated, resulting in fewer infusion sites and shorter infusion durations compared to other conventional subcutaneous IG treatments. CUVITRU was approved in the U.S. in September 2016. As of September 30, 2018, CUVITRU was approved in 21 countries.

In bio therapeutics, Shire's principal products include:

- FLEXBUMIN (Human Albumin in a bag) and Human Albumin (glass) are available as 5% and 25% solutions. Both products are indicated for hypovolemia, hypoalbuminemia due to general causes and burns, and for use during cardiopulmonary bypass surgery as a component of the pump prime. FLEXBUMIN 25% is also indicated for hypoalbuminemia associated with adult respiratory distress syndrome and nephrosis, and hemolytic disease of the newborn. FLEXBUMIN was first approved in the U.S. in 2005. As of September 30, 2018, FLEXBUMIN was approved in 49 countries.

In Hereditary Angioedema (HAE), Shire's principal products include:

- TAKHZYRO (SHP643), a fully human monoclonal antibody that specifically binds and decreases plasma kallikrein. TAKHZYRO is the only monoclonal antibody (mAb) that provides targeted inhibition of plasma kallikrein, an enzyme which is chronically uncontrolled in people with hereditary angioedema (HAE), to help prevent attacks. Shire added TAKHZYRO to its HAE portfolio with the acquisition of Dyax Corp., which was completed in January 2016. On August 23, 2018, the FDA approved TAKHZYRO injection for prophylaxis to prevent attacks of HAE in patients 12 years of age and older. On November 30, 2018, the European Commission granted marketing authorization for TAKHZYRO for the prevention of HAE attacks.

- CINRYZE (C1 esterase inhibitor (human)), a C1 esterase inhibitor therapy for routine prophylaxis against HAE attacks. CINRYZE is marketed and sold in the U.S. for routine prophylaxis against HAE attacks in adolescent and adult patients with HAE. CINRYZE enjoys U.S. biological data exclusivity until October 2020. CINRYZE includes a self-administration option for appropriately trained patients. In June 2011, marketing authorization in the EU was granted for CINRYZE in adults and adolescents with HAE for routine prevention, pre-procedure prevention and acute treatment of angioedema attacks. In March 2017, the European Commission approved a label extension for routine prevention of angioedema attacks in children (ages six years and above) with severe and recurrent attacks of HAE who are intolerant to or insufficiently protected by oral preventions treatments, or patients who are inadequately managed with repeated acute treatment. The EC also approved CINRYZE for the treatment and pre-procedure prevention of angioedema attacks in children (ages two years and above) with HAE. As of September 30, 2018, CINRYZE was approved in 36 countries.
- FIRAZYR (icatibant injection), a bradykinin B2 receptor antagonist developed for the treatment of acute attacks of HAE. In July 2008, the EC granted marketing authorization throughout the EU for the use of FIRAZYR for the symptomatic treatment of acute attacks of HAE in adults, and in March 2011 approved FIRAZYR for self-administration after training in subcutaneous injection technique by a healthcare professional. In August 2011, the FDA granted marketing approval for FIRAZYR in the U.S. for treatment of acute attacks of HAE in adults aged 18 and older and, after injection training, patients may self-administer FIRAZYR. FIRAZYR has been granted orphan drug exclusivity by both the FDA and the EMA, providing it with up to seven and ten years market exclusivity in the U.S. and EU, respectively, from the date of the grant of the relevant marketing authorization. On October 26, 2017, Shire announced that the EC approved a label extension for FIRAZYR (icatibant injection), broadening its use to adolescents and children aged 2 years and older, with HAE caused by C1-esterase-inhibitor (C1-INH) deficiency. As of September 30, 2018, FIRAZYR was approved in 46 countries.

In internal medicine, Shire's principal products include:

- GATTEX/REVESTIVE (teduglutide rDNA origin) for injection is the first prescription medicine for the long-term treatment of adults with SBS who are dependent on parenteral support. SBS is an ultra rare condition in which a large portion of the intestine has been removed by surgery. As a result, people cannot absorb enough nutrients or fluids from food and liquids to maintain good health. GATTEX/REVESTIVE may help the remaining intestine absorb more fluids and reduce the need for parenteral support. GATTEX was approved by the FDA in December 2012. REVESTIVE was approved in the EU in August 2012. As of September 30, 2018, GATTEX/REVESTIVE was approved in the U.S., Canada, EU, Australia, Israel, South Korea and Switzerland.
- NATPARA (parathyroid hormone) for injection is indicated as an adjunct to calcium and vitamin D to control hypocalcemia in patients with hypoparathyroidism (HPT). HPT is a rare condition in which the parathyroid glands fail to produce sufficient amounts of parathyroid hormone (PTH) or where the PTH lacks biologic activity. NATPARA was approved by the FDA in January 2015. NATPARA has been granted orphan drug exclusivity by the FDA. NATPARA also benefits from the 12 years of data exclusivity from the date of registration given to innovator biologics in the U.S. under the ACA. NATPAR was granted conditional marketing authorization in Europe by CHMP in April 2017. As of September 30, 2018, NATPAR/A was approved in the U.S., EU and Israel.
- LIALDA/MEZAVANT is approved for the induction of remission in patients with active mild to moderate UC and for the maintenance of remission of UC. LIALDA is marketed in certain territories outside the U.S. by Shire under the trade name MEZAVANT and MEZAVANT XL. As of September 30, 2018, LIALDA/MEZAVANT was approved in 32 countries and made available either directly or through distributor arrangements. Generic versions of LIALDA are now available in the U.S.

In oncology, Shire's principal products previously included:

- ONCASPAR is approved in the U.S., Canada and EU as a component of a multi-agent chemotherapeutic regimen for the first-line treatment of patients with ALL. As of August 31, 2018, ONCASPAR was approved in 46 countries.
- ONIVYDE (pegylated liposomal formulation of irinotecan) is approved in the U.S. and EU in combination with fluorouracil (5-FU) and leucovorin (LV), for the treatment of patients with metastatic adenocarcinoma of the pancreas after disease progression following gemcitabine based therapy. As of August 31, 2018, ONIVYDE was approved in 38 countries.

On August 31, 2018, Shire sold its oncology franchise, including the above products, to Servier for \$2.4 billion. As a result of this transaction, ONCASPAR, ONIVYDE and other oncology-related products marketed by Shire no longer comprise part of its business.

In ophthalmics, Shire's principal product is:

- XIIDRA (Lifitegrast ophthalmic solution 5%), an integrin antagonist that reduces chronic inflammation associated with dry eye disease. It was approved by the FDA in July 2016 as the first and only prescription eye drop indicated for the treatment of the signs and symptoms of dry eye disease. XIIDRA is currently approved and marketed in the U.S. XIIDRA was approved in Canada in December 2017 and further expansion plans are underway, with filings submitted in international markets.

Shire also receives royalties from the following products:

- Shire receives royalties arising from collaborations with Amgen. Amgen markets Cinacalcet HCl, a treatment for secondary hyperparathyroidism, as Sensipar in the U.S. and as Mimpara in the EU. Shire is entitled to royalties from the relevant net sales of these in or through 2018 for all other territories.
- Shire receives royalties on antiviral products licensed to GlaxoSmithKline; 3TC for HIV and Zeffix Hepatitis B virus. Royalty terms expired in most territories outside of the U.S. during 2012. In the U.S., remaining royalty terms expire in 2018.
- Shire licensed the rights to FOSRENOL in Japan to Bayer in December 2003. Bayer launched FOSRENOL in Japan in March 2009. Shire receives royalties from Bayer's sales of FOSRENOL in Japan. Shire has also received milestone payments from Bayer based on the achievement of certain sales thresholds and may receive further milestone payments in the future if certain sales thresholds are achieved.
- Shire currently receives royalties from the sales of the generic version of ADDERALL XR ("AXR") from Impax Laboratories, Inc. and Teva Pharmaceuticals Industries, Ltd. Shire also receives royalties from Prasco, LLC (Prasco) and Sandoz Inc. from sales of the authorized generic version of AXR supplied by Shire. Royalty amounts for authorized generic sales are reported as part of Shire's net product sales. In 2016, Teva Pharmaceuticals Industries, Ltd. began selling a generic version of AXR under an ANDA acquired from Allergan plc.

The table below lists Shire’s products in clinical development and registration as of September 30, 2018, by stage of development indicating the most advanced development status reached in major markets and Shire’s territorial rights in respect of each product candidate. If these product candidates are ultimately approved and marketed, they may benefit from patent and/or other forms of exclusivity. However, as these product candidates remain in development and are subject to change as development progresses, the patents listed may not necessarily be representative of the scope of patent protection that may ultimately be available if each product candidate is approved and marketed.

<u>Product</u>	<u>Disease area</u>	<u>Development status as of September 30, 2018</u>	<u>Shire’s territorial rights</u>	<u>Modality</u>
SHP489 (VYVANSE)	ADHD in children and adolescents	Registration in Japan	Global ⁽¹⁾	Small Molecule
SHP606 (XIIDRA)	Dry Eye Disease	Registration in EU	Global	Small Molecule
SHP643 (TAKHZYRO)	HAE prophylaxis	Registration ⁽²⁾	Global	Antibody
SHP555	Chronic idiopathic constipation in adults	Registration ⁽²⁾	U.S. and EU	Small Molecule
SHP616 (CINRYZE)	Prophylaxis and acute treatment of angioedema	Phase 3 in Japan	Global	Protein Replacement Therapy
SHP616 (CINRYZE)	Antibody Mediated Rejection	Phase 3	Global	Protein Replacement Therapy
SHP616 (CINRYZE)	Subcutaneous formulation for HAE prophylaxis	Phase 3	Global	Protein Replacement Therapy
SHP620*	Treatment of cytomegalovirus infection in transplant patients	Phase 3	Global ⁽³⁾	Antiviral
SHP621	Treatment of adolescents and adults with Eosinophilic Esophagitis (EoE)	Phase 3	U.S.	Small Molecule
SHP633 (REVESTIVE)	Treatment of adults with SBS	Phase 3 in Japan	Global	Peptide
SHP633 (GATTEX/ REVESTIVE)	Treatment of pediatric patients with SBS	Phase 3	Global	Peptide
SHP640*	Treatment of infectious conjunctivitis	Phase 3	Global	Small Molecule
SHP647*	Ulcerative Colitis	Phase 3	Global ⁽⁴⁾	Monoclonal Antibody
SHP647*	Crohn’s Disease	Phase 3	Global ⁽⁴⁾	Monoclonal Antibody
SHP609*	Neurocognitive Decline Associated with Hunter Syndrome	Phase 2/3	Global ⁽⁵⁾	Enzyme Replacement Therapy
SHP655*	Congenital Thrombotic Thrombocytopenic Purpura	Phase 3	Global ⁽⁶⁾	Protein
SHP671 (HYQVIA)	Chronic Inflammatory Demyelinating Polyradiculoneuropathy (CIDP)	Phase 3	Global	Antibody

<u>Product</u>	<u>Disease area</u>	<u>Development status as of September 30, 2018</u>	<u>Shire's territorial rights</u>	<u>Modality</u>
SHP671 (HYQVIA) . . .	Primary Immunodeficiency in pediatric patients	Phase 3	Global	Antibody
SHP607*	Chronic Lung Disease	Phase 2	Global	Enzyme Replacement Therapy
SHP615 (BUCCOLAM)	Convulsive Seizures	Phase 3 in Japan	Global	Small Molecule
SHP615 (BUCCOLAM)	Convulsive Seizures	Phase 2 in U.S.	Global	Small Molecule
SHP672 (OBIZUR)	Congenital Hemophilia A with Inhibitors (CHAWI) surgery	Phase 3	Global	Biologic
SHP625*(7)	Alagille Syndrome	Phase 2	Global	Small Molecule
SHP625*(7)	Progressive Familial Intrahepatic Cholestasis	Phase 2	Global	Small Molecule
SHP652	Systemic Lupus Erythematosus	Phase 2 (on clinical hold)	U.S., EU, JP, select APAC and LATAM countries	Protein
SHP659*	Dry Eye Disease	Phase 2	Global	Small Molecule
SHP611*	Metachromatic Leukodystrophy	Phase 1	Global	Enzyme Replacement Therapy
SHP631*	Treatment of both the Central nervous system and somatic manifestations in patients with MPS II	Phase 1	Global	Enzyme Replacement Therapy/Fusion Protein
SHP634 (NATPARA)	Hypoparathyroidism	Phase 1 in Japan	Global ⁽⁸⁾	Peptide
SHP639*	Glaucoma	Phase 1	Global	Peptide
SHP654*	Hemophilia A	Phase 1	Global	Gene Therapy
SHP680*	Neurological Conditions	Phase 1	Global	Small Molecule

* Denotes NME

Notes:

- (1) Under co-development with Shionogi in Japan under a license and collaboration agreement.
- (2) Marketed in the EU.
- (3) Global Rights, with the exception of Japan.
- (4) On October 26, 2018, Takeda announced that it was in discussions with the European Commission, the EU antitrust regulator, in relation to the future potential overlap in the area of IBD between its marketed product *ENTYVIO* and Shire's pipeline compound SHP647, which is currently in Phase III clinical trials, and that it had proposed an antitrust remedy of a potential divestment of SHP647 and certain associated rights. On November 20, 2018, the European Commission granted a Phase I conditional clearance for the Shire Acquisition, subject to Takeda and Shire entering into commitments to divest SHP647 and certain other associated rights.
- (5) Under license, Genzyme has rights to manage marketing and distribution in Asia Pacific, Japan and South Africa.
- (6) Global rights, with the exception of Japan (where the licensor, Kaketsuken, has retained rights).
- (7) Divested as of November 7, 2018.
- (8) Global rights, with the exception of Israel.

Availability of Raw Materials

Shire purchases, in the ordinary course of business, raw materials and supplies essential to its operations from numerous suppliers around the world, including in the U.S. While efforts are made to diversify Shire's sources of components and materials, in certain instances Shire acquires components and materials from a sole supplier. Human plasma is a critical raw material in Shire's business. Shire believes that its ability to internally and externally source plasma represents a distinctive and flexible infrastructure, which provides Shire a unique capability with respect to the consistent delivery of high quality plasma-based products. Shire owns and operates plasma collection facilities in the U.S. and Austria through its wholly owned subsidiary BioLife Plasma Services L.P. ("BioLife"). BioLife operates and maintains more than 90 plasma collection facilities in 24 states throughout the U.S. and at seven locations in Austria. Shire also maintains relationships with other plasma suppliers to ensure that it retains the flexibility to meet market demand for its plasma based therapies.

Material Customers

Shire's three largest trade customers are AmerisourceBergen Corporation, McKesson Corp and Cardinal Health, Inc., which are based in the U.S. In 2017, these wholesale customers accounted for approximately 10%, 9% and 7% of product sales, respectively.

Intellectual Property

The following table shows the patent numbers that are listed in the Patent and Exclusivity Information Addendum of the FDA's publication, Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book"), for some of Shire's more significant, revenue-generating products approved via an NDA or an NDA under Section 505(b)(2) under the U.S. Federal Food, Drug, and Cosmetic Act that references a previously approved drug, which are owned by or licensed to Shire and relevant to an understanding of Shire's business taken as a whole. There may be other patents related to these products, methods of manufacturing, or use of the products in the treatment of particular diseases or conditions that are not listed in the Orange Book. Some of Shire's other products are biologics which are protected by patents and forms of unpatented confidential information, including manufacturing trade secrets and proprietary know-how, that are not listed in the Orange Book. In addition, expiration dates set forth below do not necessarily reflect possible changes to the patent term afforded by, among other things, patent term extensions in the U.S. or other territories or changes that may result as a consequence of the outcome of litigation or other proceedings. Shire also holds patents in other jurisdictions, such as the EU, Canada and Japan, and has patent applications pending in such jurisdictions, as well as in the U.S.

Product	Orange Book listed U.S. patent	Expiration date
ADDERALL XR	US 6322819	April 21, 2019
	US RE41148	April 21, 2019
	US 6605300	April 21, 2019
	US RE42096	April 21, 2019
FIRAZYR	US 5648333	July 15, 2019
LIALDA/MEZAVANT	US 6773720	June 8, 2020
VYVANSE	US 7105486	February 24, 2023
	US 7223735	February 24, 2023
	US 7655630	February 24, 2023
	US 7659253	February 24, 2023
	US 7659254	February 24, 2023
	US 7662787	February 24, 2023
	US 7662788	February 24, 2023
	US 7671030	February 24, 2023
US 7671031	February 24, 2023	

<u>Product</u>	<u>Orange Book listed U.S. patent</u>	<u>Expiration date</u>
	US 7674774	February 24, 2023
	US 7678770	February 24, 2023
	US 7678771	February 24, 2023
	US 7687466	February 24, 2023
	US 7687467	February 24, 2023
	US 7700561	February 24, 2023
	US 7713936	February 24, 2023
	US 7718619	February 24, 2023
	US 7723305	February 24, 2023
GATTEX/REVESTIVE	US 5789379	April 14, 2020
	US 7056886	September 18, 2022
	US 7847061	November 1, 2025
	US 9060992	November 1, 2025
	US 9539310	November 1, 2025
	US 9545434	November 1, 2025
	US 9545435	November 1, 2025
	US 9555079	November 1, 2025
	US 9572867	November 1, 2025
	US 9592273	November 1, 2025
	US 9592274	November 1, 2025
	US 9968655	November 1, 2025
	US 9968656	November 1, 2025
	US 9968658	November 1, 2025
	US 9974835	November 1, 2025
	US 9974837	November 1, 2025
	US 9981014	November 1, 2025
	US 9981016	November 1, 2025
	US 9987334	November 1, 2025
	US 9987335	November 1, 2025
	US 9993528	November 1, 2025
XIIDRA	US 7314938	March 10, 2025
	US 7745460	November 5, 2024
	US 7790743	November 5, 2024
	US 7928122	November 5, 2024
	US 8084047	May 17, 2026
	US 8168655	May 9, 2029
	US 8367701	April 15, 2029
	US 8592450	May 17, 2026
	US 8927574	November 12, 2030
	US 9085553	July 25, 2033
	US 9216174	November 5, 2024
	US 9353088	October 21, 2030
	US 9447077	April 15, 2029
	US 9890141	October 21, 2030
MYDAYIS	US 6913768	May 24, 2023
	US 8846100	August 24, 2029
	US 9173857	May 12, 2026

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

You should read the following discussion of our operating and financial review and prospects together with our consolidated financial statements included elsewhere in this registration statement. Our consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB. The term IFRS also includes International Accounting Standards (“IASs”) and the related interpretations of the committees (SIC and IFRIC). For more information on the basis of presentation, see Note 2 to our audited consolidated financial statements included in this registration statement.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Item 3. D “Risk Factors” and elsewhere in this registration statement.

Overview

We are a global pharmaceutical company with an innovative portfolio, engaged primarily in the research, development, production and marketing of prescription drugs. We have a geographically diversified global business base operating in more than 70 countries, and our prescription drugs are marketed in approximately 100 countries and are recognized brands in major countries worldwide. We develop and market pharmaceutical products including prescription drug products to treat a broad range of medical conditions including GI diseases, cancer, neurological and psychiatric diseases and other medical conditions, including diabetes and hypertension, as well as vaccines. We also produce and sell vaccines as well as consumer healthcare products.

We have recently taken significant steps to refocus and enhance our business. For example:

- In July 2016, we announced a fundamental reorganization of our research and development activities to focus on our three core therapeutic areas, GI, oncology and neuroscience, plus vaccines, to optimize our pipeline and enhance operational efficiency;
- In February 2017, we acquired ARIAD, a commercial-stage biotechnology company headquartered in Cambridge, Massachusetts to enhance our global oncology portfolio by expanding our prescription drug portfolio and research and development pipeline for the treatment of solid tumors and acquiring its capabilities in hematological oncology; and
- In the fiscal year ended March 31, 2018, we entered into more than 50 collaborations with third parties to help strengthen our pipeline; and
- In July 2018, we acquired TiGenix NV, 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.

We have also divested a number of businesses in non-core areas. For example:

- In April 2016, we completed the sale of our respiratory business to AstraZeneca;
- In April 2016, we transferred certain long-listed products in Japan to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd. in which we hold a 49% interest, and subsequently sold seven additional long-listed products to Teva Takeda Yakuhin Ltd. in May 2017; and
- In April 2017, we completed the sale of our shares in Wako Pure Chemical to FUJIFILM Corporation;

- In August 2018, we sold and divested all our shares and assets in Guangdong Techpool Bio-Pharma Co., Ltd. to Shanghai Pharmaceutical Holding Co. Ltd.; and
- For the six months ended September 30, 2018, we recorded ¥38.2 billion in proceeds from sales of other shareholdings.

As the next step in our ongoing process to strengthen our business, we are pursuing the Shire Acquisition, which we expect will help us become a global leader in the pharmaceutical industry, reinforcing our strengths in GI and neuroscience, while adding new capabilities in rare diseases and plasma-derived therapies that complement our capabilities in oncology and vaccines. See “—Financial Impact of the Shire Acquisition.”

Operating Segments and Geographic Information

We organize our business as a single operating segment, reflecting the presentation of information to our management for the purposes of allocating resources, measuring performance and forecasting future periods.

Our operations are global in scope, and we generate revenue from selling our products across various regions. While our operations in Japan have historically contributed the largest portion of our revenues, we have continued to expand our operations in the United States, Europe, Canada and Emerging Markets (which consists of Russia/CIS, Latin America, Asia excluding Japan and others). Reflecting this expansion, the United States accounted for more revenue than Japan for the first time in the fiscal year ended March 31, 2018.

Our total revenue by geographic region for the fiscal years ended March 31, 2016, 2017 and 2018 is set forth in the following table:

	For the fiscal year ended March 31,					
	2016		2017		2018	
	(billions of yen, except for percentages)					
Revenue:						
Japan	¥ 688.1	38.1%	¥ 655.3	37.8%	¥ 580.3	32.8%
United States	514.4	28.5	520.2	30.0	598.3	33.8
Europe and Canada	309.3	17.1	279.7	16.1	313.7	17.7
Russia/CIS	61.8	3.4	57.5	3.3	68.2	3.9
Latin America	68.4	3.8	72.5	4.2	75.7	4.3
Asia (excluding Japan)	126.0	7.0	112.8	6.5	104.0	5.9
Other ⁽¹⁾	39.4	2.2	34.0	2.0	30.2	1.7
Total	<u>¥1,807.4</u>	<u>100.0%</u>	<u>¥1,732.1</u>	<u>100.0%</u>	<u>¥1,770.5</u>	<u>100.0%</u>

Note:

(1) Other region includes Middle East, Oceania and Africa.

We refer to Russia/CIS, Latin America, Asia (excluding Japan) and Other collectively as “Emerging Markets”.

Operating Environment

We believe that global demand for healthcare continues to increase across markets, driven by increased access to healthcare, particularly in low-income and middle-income countries. The global pharmaceutical industry also faces a number of challenges, such as stagnation in creating breakthrough novel drugs due to the difficulties of translating new innovations into products in the marketplace, as well as increasingly stringent criteria for the approval of new drugs in many countries. Drastic changes in the healthcare and reimbursement systems in many countries have also impacted the pharmaceutical industry.

In particular, global efforts toward health care cost containment continue to exert pressure on product pricing and market access. Given the growth of overall healthcare costs as a percentage of gross domestic product in many countries, some governments and payers including the U.S., Japanese, European, Canadian and other governments, have introduced price reductions and/or rebate increases for patented and generic medicines, as well as other healthcare products and services. For further discussion of government policies on price reductions and impact on our revenue, see “—Factors Affecting Our Results of Operations—Revenue—Pricing and Government Regulation” and “Item 4. Information on the Company—B. Business Overview—Regulation.”

We also continue to be affected by overall economic conditions and financial markets. Economic growth continues to be stagnant in many major developed countries, while the pace of growth in many emerging economies has declined. Recently, developments such as Brexit, the transition to a new presidential administration in 2017 and uncertainty around upcoming mid-term elections in 2018 in the United States, continued instability in the Middle East and North Korea and tensions over trade, including tariff regimes, have increased political and economic uncertainty. Moreover, the volatility of the Japanese yen against the U.S. dollar and the euro in recent years has impacted our consolidated results, as sales in such currencies are translated into Japanese yen.

Financial Impact of the Shire Acquisition

On May 8, 2018, the boards of Takeda and Shire reached agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire, which we refer to as the Shire Acquisition. See “Item 4. Information on the Company—A. History and Development of the Company—Shire Acquisition.” Under the proposed terms of the Shire Acquisition, each Shire shareholder will be entitled to receive \$30.33 in cash and either 0.839 newly issued shares of our common stock or 1.678 of our ADSs, each representing 0.5 shares of our common stock. This offer represents an estimated aggregate consideration of approximately £46 billion, or approximately ¥6.96 trillion. The final aggregate value of the consideration to be reflected in our consolidated financial statements for the fiscal year in which the Shire Acquisition is completed will depend on the closing price of our shares, the last trading price of Shire shares and number of issued shares of Shire and the exchange rates between the pound sterling and Japanese yen and between the U.S. dollar and the Japanese yen at the time of the closing of the acquisition. We expect to incur significant indebtedness to finance the cash portion of the consideration, which will result in a significant increase in interest costs in future periods. See “—B. Liquidity and Capital Resources—Financing Arrangements for the Shire Acquisition.”

We will account for the Shire Acquisition as a business combination and will record the net assets acquired at fair value. We expect to record a significant amount of inventory, intangible assets, primarily intellectual property and other proprietary rights of Shire related to its products, in connection with the Shire Acquisition, which will result in significant amortization expense in future periods. We also expect to record a significant amount of goodwill in connection with the acquisition reflecting the sum, by which the aggregate fair value of consideration for the Shire Acquisition exceeds the fair value of the identifiable assets acquired and liabilities assumed as of the Shire Acquisition date. Such intangible assets and goodwill will be presented on our balance sheet as of the end of the fiscal period in which the Shire Acquisition is completed.

As described under “—Critical Accounting Policies—Impairment of Goodwill and Intangible Assets,” goodwill and other intangible assets recorded in connection with the Shire Acquisition will be held on our consolidated balance sheet at the recorded value (or amortized value, in the case of intangible assets other than goodwill), less any accumulated impairment losses. If circumstances arise indicating that goodwill or intangible assets recorded in connection with the acquisition may be impaired, such as if we are unable to successfully realize the expected benefits of the acquisition and the carrying amount of goodwill or other intangible assets therefore exceeds their recoverable amount, we may be required to record an impairment loss up to the full value of such goodwill or other intangible assets shown on our consolidated balance sheet.

Following the completion of the Shire Acquisition and the integration of Shire's business into ours, we expect to be able to achieve significant, recurring pre-tax synergies of at least \$1.4 billion annually by the end of the third fiscal year following the completion of the Shire Acquisition, originating from efficiencies in the combined company's sales, marketing and administrative functions, research and development efforts and product manufacturing and supply. We believe that the realization of these synergies will require an aggregate of approximately \$2.4 billion, of non-recurring cash costs relating to the integration of Shire into our business during the first three fiscal years following the completion of the Shire Acquisition. This amount does not include costs relating to the completion of the acquisition, such as advisory, legal or other fees. In the six months ended September 30, 2018, we recorded ¥7.9 billion of acquisition-related costs, such as advisory fees, as a component of selling, general and administrative expenses, ¥3.2 billion of restructuring expense in other expenses and ¥8.8 billion of finance expense relating to the arrangement of commitments to finance the Shire Acquisition, and we expect to incur further costs in future periods. We expect that the costs related to the Shire Acquisition to be incurred in the fiscal year ending March 31, 2019 will be between ¥40.0 billion and ¥60.0 billion. This estimate does not include integration costs, interest on indebtedness and other financial expenses, as the amount of those expenses is dependent on the timing of the completion of the Shire Acquisition. Costs related to the Shire Acquisition, including execution, integration and other costs, will be expensed when they are incurred.

Our unaudited pro forma condensed combined balance sheet and statement of income as of and for the fiscal year ended March 31, 2018, presented in accordance with the requirements of Article 11 of Regulation S-X and Form 20-F, are included in this registration statement.

Financial Impact of the ARIAD Acquisition

On February 16, 2017, we acquired ARIAD Pharmaceuticals, Inc. for a net consideration of ¥583.1 billion. Headquartered in Cambridge, Massachusetts in the United States, ARIAD is a commercial-stage biotechnology company focusing on discovering, developing and commercializing precision therapies for patients with rare forms of chronic and acute leukemia, lung cancer and other rare cancers.

We believe that the acquisition of ARIAD has strengthened and will continue to significantly strengthen our global oncology platform by expanding our solid tumors portfolio and pipeline and reinforcing our existing strength in hematology treatments. In particular, ARIAD has developed ALUNBRIG (brigatinib), a small molecule ALK inhibitor for NSCLC, which was granted accelerated approval in the United States in April 2017. We believe that ALUNBRIG has the potential to be a leading ALK inhibitor due to its manageable safety profile, its potential ability to address mutations of ALK resistant to crizotinib, another ALK inhibitor anti-cancer treatment, and its activity in patients with brain metastases. As a result, we believe that ALUNBRIG has the potential to develop into a significant revenue driver in the future. In addition, ARIAD has developed and commercialized ICLUSIG, a treatment for chronic myeloid leukemia and Philadelphia chromosome positive acute lymphoblastic leukemia. Due to the contribution of these two innovative therapies, we believe that our acquisition of ARIAD will have a significant impact on revenue and will support our growth over the longer term. The expected contribution of these two therapies to revenues is described under “—Factors Affecting Our Results of Operations—Revenue—Principal Products.”

As a result of the acquisition of ARIAD, we recorded ¥273.6 billion in goodwill and ¥433.0 billion in intangible assets. The remaining estimated useful life for products, based on the remaining exclusivity period, acquired as part of the acquisition of ARIAD ranges from 9 to 13 years as of March 31, 2018. Our consolidated results for the fiscal year ended March 31, 2018 included the results of ARIAD for the full fiscal year for the first time, which contributed to increases in revenue and operating profit, as well as the increased importance of the U.S. market to our overall results. We also expensed ¥3.2 billion of costs related to the acquisition of ARIAD, including agency and legal fees, in selling, general and administrative expenses for the fiscal year ended March 31, 2017.

Factors Affecting Our Results of Operations

Revenue

Principal products

We rely on our principal products to generate a significant portion of our revenue. In particular, our ability to maintain and grow our revenue is dependent in part on our ability to generate additional revenue from our “growth drivers,” which we define as the core therapeutic areas of GI, oncology and neuroscience, as well as emerging markets. For descriptions of our principal products, see “Item 4. Information on the Company—B. Business Overview.”

Specifically, we currently depend on *NINLARO* as a key growth driver in oncology, and expect *ICLUSIG* and *ALUNBRIG*, both of which were added to our product portfolio when we acquired ARIAD, to be growth drivers in the future. In GI, *ENTYVIO*, our overall highest selling product, and *TAKECAB* are our main growth drivers. In neuroscience, *TRINTELLIX* is our key growth driver, and we expect future contributions from *AZILECT*, which we in-licensed from Teva Pharmaceutical Industries Ltd. and which received approval for use in Japan in March 2018. In emerging markets, *ADCETRIS* and *ENTYVIO* are our key growth drivers.

In particular, revenue from *ENTYVIO*, which is currently approved in more than 60 countries, grew from ¥86.2 billion in the fiscal year ended March 31, 2016 to ¥201.4 billion in the fiscal year ended March 31, 2018, and *ENTYVIO* has been our highest selling product since the fiscal year ended March 31, 2017. Revenue from *TAKECAB* sold in Japan grew from ¥8.4 billion on a gross basis in the fiscal year ended March 31, 2016 to ¥48.5 billion on a net basis (or ¥55.1 billion on a gross basis) in the fiscal year ended March 31, 2018. *NINLARO*, which had a strong launch in the United States and was newly approved in countries including the EU in the last quarter in 2016 and Japan in 2017, demonstrated a revenue growth from ¥4.1 billion in the fiscal year ended March 31, 2016 to ¥46.4 billion in the fiscal year ended March 31, 2018. *ICLUSIG* recorded ¥2.9 billion and ¥23.1 billion in revenue, respectively, for the period from February 16, 2017 (the date of the ARIAD acquisition) to March 31, 2017, and for the fiscal year ended March 31, 2018. *ALUNBRIG*, which was also obtained through the acquisition of ARIAD, was launched in the United States in May 2017, and recorded ¥2.8 billion of sales in the fiscal year ended March 31, 2018.

One significant factor affecting revenue of our principal products is the timing of the expiration of the exclusivity period for such products, as well as the timing and success of the sale of newly launched products. For example, following the expiration of patent protection over bortezomib, the active ingredient in *VELCADE*, one of our largest selling products in the United States, a competing bortezomib-containing product has been introduced. This has led to a decrease in sales of *VELCADE*, and further entry of competing products could result in substantial additional declines. Such decreases may accelerate following the scheduled expiration of patent protection over the formulation of *VELCADE* in 2022, or earlier if a competitor is able to develop a way to formulate *VELCADE* in a manner that does not infringe on the relevant patent or by succeeding in having the formulation patent invalidated. In addition, as patent protection has expired for *PANTOPRAZOLE* in many major markets including the United States and the EU, sales of *PANTOPRAZOLE* have continued to decline in those markets. The following table shows revenue, including royalty income and service income, for our key prescription drug products by geographic region for the three most recent fiscal years:

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
ENTYVIO			
United States	¥ 63.1	¥ 99.6	¥133.6
Europe and Canada	21.9	39.5	60.2
Emerging Markets	1.3	4.0	7.5
Total	¥ 86.2	¥143.2	¥201.4

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
NINLARO			
Japan	—	—	¥ 2.5
United States	¥ 4.0	¥ 29.1	39.4
Europe and Canada	—	0.2	4.0
Emerging Markets	0.0	0.1	0.6
Total	¥ 4.1	¥ 29.4	¥ 46.4
VELCADE			
United States	¥131.6	¥112.9	¥113.7
Other than United States	30.4	24.7	23.6
Total	¥162.0	¥137.6	¥137.3
ADCETRIS			
Japan	¥ 3.1	¥ 3.3	¥ 3.8
Europe	17.4	17.5	20.1
Emerging Markets	7.2	9.3	14.3
Total	¥ 27.6	¥ 30.1	¥ 38.5
TAKECAB			
Japan ⁽¹⁾	¥ 8.4	¥ 34.1	¥ 48.5
Total	¥ 8.4	¥ 34.1	¥ 48.5
TRINTELLIX⁽²⁾			
United States	¥ 24.5	¥ 31.9	¥ 48.4
Total	¥ 24.5	¥ 31.9	¥ 48.4
LEUPRORELIN			
Japan (product name: <i>LEUPLIN</i>) ⁽¹⁾	¥ 53.8	¥ 48.6	¥ 41.2
United States	17.3	18.3	19.7
Europe and Canada	35.3	31.1	34.5
Emerging Markets	18.0	16.3	12.7
Total	¥124.4	¥114.2	¥108.1
DEXILANT			
United States	¥ 64.0	¥ 49.7	¥ 49.5
Europe and Canada	5.4	5.7	6.4
Emerging Markets	5.7	7.3	9.9
Total	¥ 75.1	¥ 62.6	¥ 65.7
AZILVA			
Japan ⁽¹⁾	¥ 59.0	¥ 66.9	¥ 64.0
Total	¥ 59.0	¥ 66.9	¥ 64.0
ALOGLIPTIN			
Japan (product name: <i>NESINA</i>) ⁽¹⁾	¥ 36.9	¥ 32.9	¥ 26.6
United States	5.3	5.2	6.0
Europe and Canada	3.5	6.1	9.0
Emerging Markets	3.3	4.9	8.6
Total	¥ 48.9	¥ 49.1	¥ 50.2
ULORIC			
United States	¥ 41.8	¥ 41.4	¥ 45.8
Europe and Canada	0.7	0.7	0.8
Emerging Markets	—	0.1	0.3
Total	¥ 42.5	¥ 42.2	¥ 46.8

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
COLCRYS			
United States	¥ 46.5	¥ 38.9	¥ 40.3
Total	¥ 46.5	¥ 38.9	¥ 40.3
AMITIZA			
United States	¥ 37.2	¥ 33.7	¥ 33.7
Europe and Canada	0.1	0.1	0.1
Total	¥ 37.3	¥ 33.8	¥ 33.8
PANTOPRAZOLE			
United States	¥ 13.6	¥ 10.1	¥ 7.2
Europe and Canada	43.4	30.5	30.6
Emerging Markets	43.7	33.7	28.0
Total	¥100.8	¥ 74.2	¥ 65.8
LANSOPRAZOLE			
Japan ⁽¹⁾⁽³⁾	¥ 41.3	¥ 8.1	¥ 4.6
United States	27.5	20.0	15.2
Europe and Canada	10.5	7.1	7.2
Emerging Markets	10.2	9.2	9.7
Total	¥ 89.5	¥ 44.4	¥ 36.8
CANDESARTAN			
Japan ⁽²⁾	¥ 58.5	¥ 14.8	¥ 2.6
United States	1.3	0.6	0.7
Europe and Canada	12.5	9.3	9.5
Emerging Markets	12.4	9.5	9.2
Total	¥ 84.8	¥ 34.2	¥ 22.0

Notes:

- (1) Beginning from the fiscal year ending March 31, 2019, sales of certain products in Japan are disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales for the fiscal year ended March 31, 2018. Sales of individual products have been revised retroactively on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of figures from the prior fiscal periods. Figures for the fiscal years ended March 31, 2016 and 2017 have not been reclassified retroactively.
- (2) *TRINTELLIX* is the brand name used since June 2016 for the product previously marketed as *BRINTELLIX* in the United States. The formulations, indication and dosages of *TRINTELLIX* remain the same as that of *BRINTELLIX*.
- (3) Products excluding fixed dose combinations were transferred to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture in Japan we formed with Teva Pharmaceutical Industries Ltd., in April 2016. Fixed dose combinations were sold to Teva Takeda Yakuhin Ltd. in May 2017. Amounts presented above represent supply sales to Teva Takeda Yakuhin Ltd., following such transfers.

For a discussion of our principal products and the conditions they treat, see “Item 4. Information on the Company—B. Business Overview.”

Pricing and government regulation

Although we consider domestic and international competitive conditions, such as the price of competing products, in setting and revising the price of our pharmaceutical products, government regulation also has a significant effect in determining the price of pharmaceutical products in many of the countries in which we operate. Government policy in many countries has emphasized, and large customers continue to seek, discounts on pharmaceutical products.

The U.S. Healthcare Legislation, enacted in March 2010, has increased the amount of rebates paid by pharmaceutical companies and has negatively impacted operating income of pharmaceutical companies, although these effects may be offset in part in the medium to long term by the effects of an increase in individuals covered by health care programs. While there are currently legislative proposals in the United States to amend or repeal the U.S. Healthcare Legislation or to introduce other regulatory changes, the potential impact of any new legislation is uncertain. Regulatory and legislative debates are particularly driven by public concern over access to and affordability of pharmaceuticals. These policy and political issues increase the risk that taxes, fees, rebates or other federal and state measures that could affect the pricing of pharmaceuticals may be enacted. These may include a reduction in biologic data exclusivity, modifications to Medicare Parts B and D, language that would allow the Department of Health and Human Services to negotiate prices for biologics and drugs in Medicare, proposals that would require biopharmaceutical manufacturers to disclose proprietary drug pricing information and state-level proposals related to prescription drug prices and reducing the cost of pharmaceuticals purchased by government health care programs. The Bipartisan Budget Act, enacted in February 2018 and scheduled to take effect in 2019, will require manufacturers of brand-name drugs, biologics and biosimilars to pay a 70 percent discount in the Medicare Part D Coverage Gap, up from the current 50 percent discount.

In Japan, the government has the authority to set retail prices for prescription drugs, especially in the context of sales reimbursed by national health insurance programs. Pharmaceutical companies in Japan, including us, are required to list new pharmaceutical products on the NHI price list published by the MHLW in connection with public medical insurance programs. Prices of pharmaceutical products so listed are determined by comparison to comparable products, with necessary adjustments for innovativeness, usefulness and/or size of the markets, or in the absence of comparable products, by the cost calculation method. Prior to 2018, prices on the NHI price list were subject to revision, generally once every two years, on the basis of the actual prices at which the pharmaceutical products are purchased by medical institutions after discounts and rebates off the listed price. Prices on the NHI price list declined by an average of 5.64%, or 2.65% after excluding the 3% consumption tax increase, in 2014, 5.57% in 2016, and 7.48% in 2018, in each case taking into account price revisions on long-listed products. As part of health reform initiatives by the Japanese government aimed at sustaining the universal coverage of the National Health Insurance program, in December 2016, the Japanese government announced its basic reform principles for fundamental reforms of the drug pricing system in 2018. These include an increase in the frequency of price revisions from every other year to annually, with annual price revisions scheduled to begin with the fiscal year ending March 31, 2022.

Governments in Europe and many emerging countries also have national health programs with similar price control systems. In Europe, drug prices continue to be subject to downward pressure due to measures implemented in many countries to control drug costs, and prices continue to experience pressure due to parallel imports, generic competition, increasing use of health technology assessment based upon cost-effectiveness and other factors. While the United States does not have a general national health insurance system, there has been increasing pricing pressure from managed care groups and institutional and governmental purchasers. The pharmaceutical industry has also experienced significant pricing pressures in certain emerging countries.

Patent protection and generic competition

Legal protections and remedies for intellectual property are significant factors in determining the competitiveness of and demand for, as well as the prices of, our pharmaceutical products. Many of our products

are protected by substance patents and may also have secondary patents. Secondary patents can include additional patents, such as patents for the processes for making the compound or additional indications or uses. During the patent period, we benefit from the restrictions on competition afforded by the patent. Once patent protection and regulatory data protection expires, however, other pharmaceutical manufacturers may produce generic versions of the products and sell them at lower prices.

In the United States, as well as in many other countries, including in Europe, the introduction of a generic or biosimilar version of a pharmaceutical product often leads to a swift and substantial decline in the sales of the original. Increased pricing pressure, both from governmental regulation and from the healthcare providers in the private sector, means that the market participants with the decision-making authority over pharmaceutical products are quick to adopt generic or biosimilar products once they become available. We may also be subject to competition from generic drug manufacturers prior to the expiration of such patents if the manufacturer successfully challenges the validity of the patents, or if the manufacturer decides that the benefits of prematurely launching “at risk” the generic drug outweigh the costs of defending infringement litigation. Moreover, even our products that still enjoy the benefit of patent exclusivity must compete with the products of other pharmaceutical manufacturers based not only on efficacy or lack of adverse reactions, but also potentially on price, especially where the parties paying for the treatment, which may be health plans, pharmaceutical benefit managers, wholesalers or other parties, maintain formularies or otherwise choose the pharmaceutical products that will be available to patients.

In Japan, the government is implementing various measures to restrain drug costs, including by encouraging medical practitioners to use and prescribe generic drugs, and has recently announced its intention to raise generic drug penetration to 80% by volume by September 2020 with respect to products for which market exclusivity has expired. Market penetration for such products was 65.8% as of September 2017. We are not currently able to quantify the impact that these measures will have on our products. However, we attempt to limit the impact of generic competition by highlighting the proven track record and credibility of our products, as well as making certain price revisions as appropriate. We also try to gain further patent protection through incremental improvements and the addition of new indications related to our products. In addition, in order to mitigate our exposure to the increased use of generics, in April 2016, we transferred certain long-listed products, consisting of products for which patent protection and regulatory data protection have expired, to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd. of Israel. In May 2017, we sold additional long-listed products to Teva Takeda Yakuhin Ltd. The objective of the joint venture is to mitigate the competition in Japan from generics while allowing us to generate revenue from providing distribution services and contract manufacturing services to the joint venture. See “—Other Factors Affecting Our Results of Operations—(a) Acquisitions and Divestures.”

Introduction of new products

While prescription drugs are generally protected by substance patents and regulatory data protection periods, patents are typically limited to a certain number of years depending on the jurisdiction and the type of patents. Notwithstanding such protection, new therapeutic drugs with potentially higher efficacy, a more favorable side-effect profile or a more convenient mechanism of delivery are constantly being developed and introduced by our competitors even during the patent protected period. Therefore, sales of a given product typically decrease upon the expiration of patent protection and the regulatory data protection period and in some cases earlier if superior products have been introduced to the market. In order to ensure sustained revenue growth, pharmaceutical companies must be able to develop or otherwise acquire the rights to develop or market innovative new products. See “Item 4. Information on the Company—B. Business Overview” for information regarding our research and development activities, including our clinical development pipeline.

Costs and Expenses

(a) Cost of sales

Cost of sales consists primarily of the cost of raw materials and active ingredients, labor and other overhead costs relating to our manufacturing activities as well as sales-based royalty payments to third parties, if any. We believe the ratio of cost of sales to revenue is low in the pharmaceutical industry compared to many other industries due to pricing policies that reflect the need to recoup significant research and development costs necessary to develop and market new pharmaceutical products.

Cost of sales were ¥535.2 billion, ¥558.8 billion and ¥495.9 billion, or 29.6%, 32.3% and 28.0%, respectively, of consolidated revenues, in the fiscal years ended March 31, 2016, 2017 and 2018. The relative proportion of cost of sales to revenue is affected significantly by our product mix, as certain products are comparatively less expensive to produce. For example, products with specialty capabilities developed and manufactured in-house, such as *ENTYVIO* and *NINLARO*, tend to have lower cost of sales than other products which are sourced from or manufactured with third party partners. In addition, we have implemented measures to optimize our source network and achieve procurement savings. Whether we achieve our objective of increasing our profitability will depend in part on our ability to decrease the relative proportion of cost of sales to revenue through such initiatives.

(b) Selling, general and administrative expenses

Our selling, general and administrative costs include advertising and sales promotion expenses, salaries, long-term incentive payments, bonuses and post-employment benefit costs, among others. Beginning in 2016, we have implemented a global operational expenditure initiative to further rationalize expenditures and enhance our profitability and sustainability. Such initiatives include rolling out a new procurement policy, applying discipline to spending, benchmarking general and administrative functions to drive effectiveness and efficiency and reducing our salesforce in the United States to align our sales capabilities with our core therapeutic areas. Our selling, general and administrative expenses were ¥650.8 billion, ¥619.1 billion and ¥628.1 billion in the fiscal years ended March 31, 2016, 2017 and 2018, or 36.0%, 35.7% and 35.5%, respectively, of consolidated revenue.

(c) Research and development expenses

Research and development of new pharmaceutical products is essential to continued positive operating results. Our research and development efforts are centralized, with the allocation of resources made on a global basis. See “—C. Research and Development, Patents, Licenses, etc.” for a description of our key research and development policies. Our research and development expenses, which include expenses related to basic research as well as pre-clinical and clinical development, have been significant historically and will continue to be significant. While we expect to achieve greater cost efficiency as a result of our efforts to fundamentally reorganize our research and development activities, we plan to reinvest cost savings attributable to such efficiency improvements in additional research and development in our core therapeutic areas. Research and development expenses are recorded as expenses as they are incurred, and are generally not capitalized until the criteria for recognizing an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable for a given product. In the fiscal years ended March 31, 2016, 2017 and 2018, research and development expenses were ¥335.8 billion, ¥312.3 billion and ¥325.4 billion, or 18.6%, 18.0% and 18.4% of total revenue, respectively. Research and development expenses could increase due to anticipated clinical trials for existing and new late stage pipeline products, including in-licensed products.

(d) Amortization and impairment losses on intangible assets associated with products

Intangible assets associated with products primarily include intangible assets associated with specific products acquired through acquisitions. We amortize intangible assets associated with products over their estimated useful life ranging from 3 to 20 years (generally reflecting the expected length of patent or regulatory

data protection for such product) using the straight-line method. Intangible assets associated with products are also subject to impairment, and are held net of accumulated impairment losses and any reversals thereof. Amortization and impairment losses on intangible assets associated with products therefore tend to increase as the total balance of intangible assets associated with products increases, subject to any impairment losses or reversals thereof. In the fiscal year ended March 31, 2016, amortization, impairment and reversal of impairment were ¥121.8 billion, ¥18.6 billion and ¥8.6 billion, respectively. In the fiscal year ended March 31, 2017, amortization, and impairment were ¥112.5 billion and ¥44.6 billion (which includes ¥0.4 billion of impairment included in restructuring expense, which is a component of other operating expenses), respectively. In the fiscal year ended March 31, 2018, amortization, impairment and reversal of impairment were ¥126.1 billion, ¥19.1 billion and ¥23.1 billion, respectively. As of March 31, 2018, intangible assets associated with specific products totaled ¥970.0 billion.

Other Factors Affecting Our Results of Operations

(a) Acquisitions and Divestitures

As part of our business strategy, we regularly engage in acquisitions and divestitures. We may acquire new businesses to expand our research and development capabilities (including expanding into new methodologies) and to acquire new products (whether in the development pipeline or at the marketing stage) or other strategic regions. Similarly, we regularly divest businesses and product lines to maintain our focus on our key growth drivers and to manage our portfolio. As a result of these acquisitions and divestitures, our product portfolio, particularly outside of our key growth drivers, fluctuates from year to year, and our results of operations for a given fiscal year may not be directly comparable to results from prior or future fiscal years. For a description of the expected effect of the Shire Acquisition on our financial condition and results of operations, see “—Financial Impact of the Shire Acquisition.” For a description of the effect of the acquisition of ARIAD in 2017 on our financial condition and results of operations, see “—Financial Impact of the ARIAD Acquisition.”

We also have recorded substantial goodwill and intangible assets in connection with past acquisitions and had a total goodwill of ¥1,029.2 billion and intangible assets of ¥1,014.3 billion as of March 31, 2018. Intangible assets associated with products are amortized over their estimated useful life over a period of 3 to 20 years. Goodwill and indefinite-lived intangible assets are subject to impairment under certain conditions, as discussed under “—Critical Accounting Policies—Impairment of Goodwill and Intangible Assets.”

In April 2016, we transferred certain long-listed products in Japan to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd. in which we hold a 49% interest, representing shares of Teva Takeda Pharma Ltd. received as consideration for the transfer. At the time of the transfer, we recognized a gain for the difference between the fair value consideration received (shares of Teva Takeda Pharma Ltd.) and the carrying value of the business to the extent we disposed of the business. The remainder of the gain was deferred and will be amortized over a period of 15 years from the date of the transfer, representing the estimated useful life of the intangible assets associated with the products transferred. In the fiscal year ended March 31, 2017, we recognized a gain related to this transfer of ¥115.4 billion. ¥102.9 billion of such amount was the amount of the gain recognized at the time of disposal. The remainder represents the amount of the deferred gain amortized during such fiscal year. We receive income from the joint venture in the form of a supply and distribution fee, in addition to a 49% share of the joint venture’s income or losses. See Note 14 to our audited consolidated financial statements included in this registration statement for a detailed discussion of the results of Teva Takeda Pharma Ltd.

In April 2017, we completed the sale of our shares in Wako Pure Chemical to FUJIFILM Corporation for a sale price of ¥198.5 billion, for which we recognized a gain of ¥106.3 billion in the fiscal year ended March 31, 2018. Wako Pure Chemical generated revenue of ¥76.6 billion and ¥79.1 billion for the fiscal years ended March 31, 2016 and 2017, respectively.

(b) Foreign exchange fluctuations

In the fiscal year ended March 31, 2018, 67.2% of our revenue was from outside of Japan, and we expect that in the future an even more significant portion of our revenue will be generated in foreign currencies from sources outside of Japan due to the expansion of sales outside Japan. Changes in foreign exchange rates, particularly for the U.S. dollar and the euro, relative to the yen, which is our reporting currency, will impact our revenues and expenses. When the yen weakens against other currencies, our revenues attributable to such other currencies increase, having a positive impact on our results of operations, which may be offset by increased expenses denominated in such currencies. Conversely, when the yen strengthens against other currencies, our revenues attributable to such currencies decrease, having a negative impact on our results of operations, which may be offset by decreased expenses denominated in such currencies. We utilize certain hedging measures with respect to some of our significant foreign currency transactions, primarily forward exchange contracts, currency swaps and currency options for individually significant foreign currency transactions. See Note 27 to our consolidated financial statements included in this registration statement.

(c) Periodic trends

Our revenues, operating profit and net income were lower in the fourth quarter of each of the fiscal years ended March 31, 2016, 2017 and 2018, due mainly to fluctuations in sales in Japan. As pricing revisions in Japan generally take effect as of April 1 of the relevant year, Japanese pharmaceutical product wholesalers postpone purchases during the quarter prior to such pricing revisions, causing decreased revenue. Furthermore, Japanese pharmaceutical product wholesalers generally control their inventory more tightly towards their fiscal year ends, typically March 31, which also causes decreased revenue in the fourth fiscal quarter. Japanese pharmaceutical product wholesalers also tend to increase purchases ahead of the New Year holidays, causing a concentration of sales in our third fiscal quarter, from October 1 to December 31. Moreover, the commencement of clinical trials and other research and development activities increases in our fourth fiscal quarter, leading to increased research and development expense compared to other quarters.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable at the time the estimates and assumptions are made. Actual outcomes may differ from those estimates and assumptions.

We believe the following critical accounting policies are affected by management's estimates and assumptions, changes to which could have a significant impact on our consolidated financial statements.

Revenue Recognition

Our revenue is primarily related to the sale of pharmaceutical products and is generally recognized at the time product is shipped to the customer. Our gross sales are subject to various deductions, which are primarily composed of rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organizations. These deductions represent estimates of the related obligations, requiring the use of judgement when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales. The U.S. market has the most complex arrangements related to revenue deductions.

The following summarizes the nature of the most significant adjustments to revenue:

- U.S. Medicare and Medicaid: The U.S. Medicaid Drug Rebate Program is administered by state governments using state and federal funds to provide assistance to certain vulnerable and needy

individuals and families. Calculating the rebates to be paid related to this program involves interpreting relevant regulations, which are subject to challenge or change in interpretative guidance by government authorities. Provisions for Medicaid rebates are calculated using a combination of historical experience, product and population growth, product pricing and the mix of contracts and specific terms in the individual state agreements. The U.S. Federal Medicare Program, which funds healthcare benefits to individuals age 65 or older and certain disabilities, provides prescription drug benefits under Part D section of the program. This benefit is provided and administrated through private prescription drug plans. Provisions for Medicare Part D rebates are calculated based on the terms of individual plan agreements, product sales and population growth, product pricing and the mix of contracts. There is often a time lag of several months between us recording the revenue deductions and our final accounting for Medicare and Medicaid rebates.

- Customer rebates: Offer rebates to purchasing organizations and other direct and indirect customers to sustain and increase market share, and to ensure patient access to our products. Since rebates are contractually agreed upon, the related provisions are estimated based on the terms of the individual agreements, historical experience, and projected product growth rates.
- Wholesaler chargebacks: We have arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Provisions for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates
- Return reserves: When we sell a product providing a customer the right to return it, we record a provision for estimated sales returns based on our sales return policy and historical return rates.

Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the type of purchasing organization, end consumer, and product sales mix.

Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location.

Impairment of Goodwill and Intangible Assets

We review long-lived intangible assets for impairment whenever events or changes in circumstance indicate that the asset's balance sheet carrying amount may not be recoverable. Goodwill and other currently not amortized intangible assets are reviewed for impairment at least annually.

Assets are generally considered impaired when their balance sheet carrying amount exceeds their estimated recoverable amount. The recoverable amount is estimated for each individual asset or at the larger cash-generating unit level when cash is generated in combination with other assets. Goodwill is allocated to cash-generating units based on expected synergies as determined and the recoverable amount is estimated at the cash-generating unit level. Our cash generating units are identified base on the smallest identifiable group of assets that generate independent cash inflows and are represented by the regions where we sell our products. The estimation of recoverable value requires us to make a number of assumptions including:

- amount and timing of projected future cash flows;
- behavior of competitors (launch of competing products, marketing initiatives, etc.);
- probability of obtaining regulatory approvals;

- future tax rates;
- terminal growth rate; and
- discount rate.

Due to changes in these assumptions in subsequent periods we have recognized impairments and reversal of impairments during the periods presented. See Notes 11 and 12 to our consolidated financial statements.

As of March 31, 2018 we have ¥1,029.2 billion of goodwill and ¥1,014.3 billion of intangible assets which in aggregate represent 49.8% of our total assets. A change in the estimates used to calculate recoverable value could have a material impact on our consolidated financial statements.

Retirement and Other Post-employment Benefit Plans

We sponsor pension and other post-employment benefit plans that cover a significant portion of our employees. We are required to make significant assumptions and estimates about future events in calculating the expense and the present value of the liability related to these plans. These include assumptions about the interest rates we apply to estimate future defined benefit obligations and net periodic pension expense, as well as rates of future pension increases. In addition, our actuarial consultants provide our management with historical statistical information such as withdrawal and mortality rates in connection with these estimates.

Assumptions and estimates used by us may differ materially from the actual results we experience due to changing market and economic conditions, higher or lower withdrawal rates, and longer or shorter life spans of participants among other factors. See Note 22 to our consolidated financial statements for sensitivity information related to the most significant assumptions.

A significant change in the assumption in future periods could have a material impact on our consolidated financial statements.

Contingent Liabilities

We are involved in various legal proceedings primarily related to product liability and commercial liability arising in the normal course of our business. These contingencies are described in detail in Note 32 to our consolidated financial statements.

These and other contingencies are, by their nature, uncertain and based upon complex judgments and probabilities. The factors we consider in developing our provision for litigation and other contingent liability amounts include the merits and jurisdiction of the litigation, the nature and the number of other similar current and past litigation cases, the nature of the product and the current assessment of the science subject to the litigation, and the likelihood of settlement and current state of settlement discussions, if any. In addition, we record a provision for product liability claims incurred, but not filed, to the extent we can formulate a reasonable estimate of their costs based primarily on historical claims experience and data regarding product usage. We also consider the insurance coverage we have to diminish the exposure for periods covered by insurance. In assessing our insurance coverage, we consider the policy coverage limits and exclusions, the potential for denial of coverage by the insurance company, the financial condition of the insurers, and the possibility of and length of time for collection. Any provision and the related estimated insurance recoverable have been reflected on a gross basis as liabilities and assets, respectively, on our consolidated balance sheets.

At March 31, 2018, we have a provision of ¥23.2 billion for outstanding legal cases and other disputes. A change in our assessment related to the factors used to estimate the provision (as described above) could have a material impact on our financial statements in future periods.

Income Taxes

We prepare and file our tax returns based on an interpretation of tax laws and regulations, and we record estimates based on these judgments and interpretations. In the normal course of business, our tax returns are subject to examination by various taxing authorities, which may result in additional tax, interest or penalty assessment by these authorities. Inherent uncertainties exist in estimates of many tax positions due to changes in tax law resulting from legislation, regulation, and/or as concluded through the various jurisdictions' tax court systems. When we conclude that it is not probable that a taxing authority will accept an uncertain tax position, we recognize the best estimate of the expenditure required to settle a tax uncertainty. The amount of unrecognized tax benefits is adjusted for changes in facts and circumstances. For example, adjustments could result from significant amendments to existing tax law, the issuance of regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of a tax examination. We believe our estimates for uncertain tax positions are appropriate and sufficient based on currently known facts and circumstances.

We also assess our deferred tax assets to determine the realizable amount at the end of each period. In assessing the recoverability of deferred tax assets, we consider the scheduled reversal of taxable temporary differences, projected future taxable profits, and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits during the periods in which the temporary differences become deductible, we determine the amount the tax benefits we believe are realizable. At March 31, 2018, we had unrecognized deferred tax benefits of ¥19.7 billion. A change in our assumptions in future periods could have a significant impact on our income tax provision.

Our income tax expense is also impacted by any change in the tax rate applied to our deferred tax assets and liabilities. During the year ended March 31, 2018, our effective tax rate was reduced by 12.6% due to change in tax rates including the impact of the tax reform in the United States.

Business Combination

Accounting for a business combination requires us to estimate the fair value of the assets and liabilities acquired and the value of any contingent consideration. The estimate of fair value requires us to make a number of assumptions including estimated future cash flows, discount rates, development and approval milestones, expected market performance and for contingent consideration the likelihood of payment.

Contingent consideration is recorded at fair value at the end of each period. The changes in the fair value based on time value of money are recognized in "Finance expenses" while other changes are recognized in "Other operating income" or "Other operating expenses" on the consolidated statement of income. During the year ended March 31, 2018, the change in fair value of contingent consideration resulted in the recording of an additional ¥12.8 billion to be paid by us.

Results of Operations

The following table provides selected consolidated statements of income information for the years ended March 31, 2016, 2017 and 2018.

	For the fiscal year ended March 31,		
	2016	2017	2018
	(Billions of yen)		
Revenue	¥1,807.4	¥1,732.1	¥1,770.5
Cost of Sales	(535.2)	(558.8)	(495.9)
Selling, general and administrative expenses	(650.8)	(619.1)	(628.1)
Research and development expenses	(335.8)	(312.3)	(325.4)
Amortization and impairment losses on intangible assets associated with products	(131.8)	(156.7)	(122.1)
Other operating income	21.3	143.5	169.4
Other operating expenses	(44.4)	(72.9)	(126.6)
Operating profit	130.8	155.9	241.8
Finance income	21.6	12.3	39.5
Finance expenses	(31.9)	(23.2)	(31.9)
Share of profit (loss) of investments accounted for using the equity method	(0.0)	(1.5)	(32.2)
Profit before tax	120.5	143.3	217.2
Income tax expenses	(37.1)	(27.8)	(30.5)
Net profit for the year	<u>83.5</u>	<u>115.5</u>	<u>186.7</u>

Fiscal Year Ended March 31, 2018 compared with the Fiscal Year Ended March 31, 2017

Revenue. Revenue increased ¥38.5 billion, or 2.2%, from ¥1,732.1 billion for the fiscal year ended March 31, 2017 to ¥1,770.5 billion for the fiscal year ended March 31, 2018. During the fiscal year ended March 31, 2018, our revenue decreased by ¥94.3 billion as a result of divestitures, which primarily consisted of ¥79.1 billion attributable to the divestiture of Wako Pure Chemical in April 2017 and ¥11.1 billion attributable to the termination of the commercialization agreement for *CONTRAVE* in the U.S. in August 2016. Excluding the impact of divestitures, our revenues increased by ¥132.8 billion primarily due to growth in our core therapeutic areas of GI, oncology and neuroscience, which includes the favorable impact of the strengthening of the U.S. dollar and Euro against the yen as compared to the prior year.

Change in revenue in our three key therapeutic areas of GI, oncology and neuroscience was primarily attributable to the following products:

- **GI.** In the therapeutic area of GI, revenue grew 23.5% compared to the previous fiscal year. Revenue attributable to *ENTYVIO* was ¥201.4 billion in the fiscal year ended March 31, 2018, an increase of ¥58.2 billion, or 40.6%, compared to the previous fiscal year as a result of increase in sales volume, making *ENTYVIO* our top-selling product. Revenue attributable to *TAKECAB* was ¥48.5 billion (or ¥55.1 billion on a gross basis) in the fiscal year ended March 31, 2018, compared to ¥34.1 billion on a gross basis in the previous fiscal year, with prescriptions in Japan as a result of a higher overall volume due to *TAKECAB*'s efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.
- **Oncology.** In the therapeutic area of oncology, revenue grew 14.6% compared to the previous fiscal year. Revenue attributable to *NINLARO* was ¥46.4 billion, an increase of ¥17.1 billion, or 58.1% compared to the previous fiscal year, reflecting market penetration across several regions, particularly in the United States. Revenue attributable to *ICLUSIG*, which was obtained through the

acquisition of ARIAD in February 2017, was ¥23.1 billion, its first full-year contribution to our revenue growth in this key therapeutic area. *ALUNBRIG*, also obtained through the acquisition of ARIAD, was launched in the United States in May 2017, and revenue attributable to it in the fiscal year ended March 31, 2018 was ¥2.8 billion. Revenue attributable to *VELCADE* decreased slightly to ¥137.3 billion in the fiscal year ended March 31, 2018 from ¥137.6 billion in the previous fiscal year.

- *Neuroscience*. In the therapeutic area of neuroscience, revenue grew 24.5% compared to the previous fiscal year. Revenue attributable to *TRINTELLIX* was ¥48.4 billion, an increase of ¥16.5 billion, or 51.6%, versus the previous year, reflecting higher volumes as a result of expansion of market share in the U.S. branded antidepressant market, driven by our patient engagement initiatives.

Cost of sales. Cost of sales decreased ¥62.8 billion, or 11.2%, from ¥558.8 billion for the fiscal year ended March 31, 2017 to ¥495.9 billion for the fiscal year ended March 31, 2018. Cost of sales as a percentage of revenue decreased from 32.3% in the fiscal year ended March 31, 2017 to 28.0% in the fiscal year ended March 31, 2018. The decreases in cost of sales, both overall and relative to revenues, was primarily due to the disposition of Wako Pure Chemical in April 2017, which generally had lower-margin products, as well as the effect of other changes to our product mix due to the faster growth of higher margin products, such as *ENTYVIO* and *NINLARO*, relative to other products.

Selling, general and administrative expenses. Selling, general and administrative expenses increased ¥9.0 billion, or 1.5%, from ¥619.1 billion for the fiscal year ended March 31, 2017 to ¥628.1 billion for the fiscal year ended March 31, 2018, mainly due to increased long-term incentive payments to management, higher co-promotion expenses related to increased sales of *TAKECAB* in Japan and higher compensation costs, which contributed ¥2.6 billion, ¥4.8 billion and ¥3.8 billion, respectively. However, selling, general and administrative expenses increased at a lower rate than revenue, reflecting our overall cost reduction efforts.

Research and development expenses. Research and development expenses increased ¥13.1 billion, or 4.2%, from ¥312.3 billion for the fiscal year ended March 31, 2017 to ¥325.4 billion for the fiscal year ended March 31, 2018, mainly due to our pursuit of increased research and development projects and the effect of a weaker Japanese yen.

Amortization and impairment losses on intangible assets associated with products. Amortization and impairment losses on intangible assets associated with products decreased ¥34.6 billion, or 22.1%, from ¥156.7 billion for the fiscal year ended March 31, 2017 to ¥122.1 billion for the fiscal year ended March 31, 2018. This was primarily driven by a decrease of impairment losses on intangible assets of ¥48.2 billion, including a ¥22.6 billion reversal of the previous impairment related to *COLCRYS*, reflecting updated estimates about the amount of impairment due to better-than-expected sales performance. This was offset in part by increased amortization of intangible assets of ¥13.6 billion, resulting from the inclusion of amortization of intangible assets acquired in the ARIAD acquisition.

Other operating income. Other operating income increased by ¥25.9 billion, or 18.0%, from ¥143.5 billion for the fiscal year ended March 31, 2017 to ¥169.4 billion for the fiscal year ended March 31, 2018, driven mainly by ¥106.3 billion representing a gain on the sale of Wako Pure Chemical in April 2017, ¥27.5 billion representing a gain on divestments to Teva Takeda Yakuhin Ltd. and ¥18.8 billion representing a gain on sales of property, plant and equipment and investment property. Other operating income in the previous fiscal year was primarily driven by a ¥115.4 billion gain on divestments to Teva Takeda Yakuhin Ltd and a ¥12.0 billion gain from the reversal of contingent consideration liability reflecting decreased expected sales of *COLCRYS*.

Other operating expenses. Other operating expenses increased ¥53.7 billion, or 73.6%, to ¥126.6 billion for the fiscal year ended March 31, 2018, as compared to ¥72.9 billion for the fiscal year ended March 31, 2017.

This was driven by a loss on liquidation of a foreign subsidiary of ¥41.5 billion primarily reflecting the recognition of cumulative translation losses and an increase in fair value of contingent consideration of ¥10.5 billion driven by an increase in projected sales primarily for *COLCRYS*.

Operating profit. As a result of the above factors, operating profit increased ¥85.9 billion, or 55.1%, from ¥155.9 billion for the fiscal year ended March 31, 2017 to ¥241.8 billion for the fiscal year ended March 31, 2018.

Profit before tax. As a result of the above factors, profit before tax increased ¥73.9 billion, or 51.5%, from ¥143.3 billion for the fiscal year ended March 31, 2017 to ¥217.2 billion for the fiscal year ended March 31, 2018.

Income tax (expenses). Income tax expenses increased ¥2.7 billion, or 9.6%, from ¥27.8 billion for the fiscal year ended March 31, 2017 to ¥30.5 billion for the fiscal year ended March 31, 2018. This increase was mainly due to the tax impact of ¥22.8 billion resulting from the increase in profit before tax compared to the previous fiscal year, as well as the effect of additional tax benefits recognized for the year ended March 31, 2017, resulting from reduction of share capital of a subsidiary, which was responsible for an increase of ¥8.9 billion. These increases were offset in part by the positive impact of the enactment of U.S. tax reforms, principally related to the revaluation of net deferred tax liability at a lower enacted tax rate and improved recoverability of deferred tax assets, which resulted in a decrease of ¥27.5 billion.

Net profit for the year. As a result of the above factors, net profit for the year increased ¥71.2 billion, or 61.6%, from ¥115.5 billion for the fiscal year ended March 31, 2017 to ¥186.7 billion for the fiscal year ended March 31, 2018.

Fiscal Year Ended March 31, 2017 compared with the Fiscal Year Ended March 31, 2016

Revenue decreased ¥75.3 billion, or 4.2%, from ¥1,807.4 billion for the fiscal year ended March 31, 2016 to ¥1,732.1 billion for the fiscal year ended March 31, 2017. ¥69.3 billion of this decrease in revenue resulted from divestitures, including the sale of our respiratory portfolio to AstraZeneca and the transfer of long-listed products in Japan to Teva Takeda Yakuhin Ltd. The unfavorable impact of changes in foreign exchange rates, primarily a 10% strengthening of Japanese yen compared to U.S. dollar, contributed an additional ¥125.4 billion to the decrease in revenue. These decreases were partially offset by sales growth in our product portfolio, excluding the effect of foreign exchange rates and divestitures, of ¥119.4 billion, which was concentrated in our core therapeutic areas of GI, oncology and neuroscience.

The main drivers for the increase in revenue in our three key therapeutic areas of GI, oncology and neuroscience (including the effect of foreign exchange rate fluctuations) were as follows:

- *GI.* In the therapeutic area of GI, revenue attributable to *ENTYVIO* was ¥143.2 billion in the fiscal year ended March 31, 2017, an increase of ¥57.0 billion, or 66.2%, compared to the previous fiscal year, making *ENTYVIO* our top-selling product. Revenue attributable to *TAKECAB* was ¥34.1 billion in the fiscal year ended March 31, 2017, an increase of ¥25.7 billion, reflecting its rapid penetration into the Japanese market following the expiration of regulatory limitations on continued use in Japan. This increase was partially offset by a decline in sales of ¥12.5 billion for *DEXILANT*.
- *Oncology.* In the therapeutic area of oncology, revenue attributable to *NINLARO* was ¥29.4 billion, an increase of ¥25.3 billion, reflecting strong adoption in the United States. Revenue attributable to *ICLUSIG*, which was obtained through the acquisition of *ARIAD* in February 2017, was ¥2.9 billion. Revenue attributable to *VELCADE* decreased by ¥24.5 billion, or 15.1%, to ¥137.6 billion in the fiscal year ended March 31, 2017, reflecting the negative effect of foreign exchange rate fluctuation and decrease in sales volume during the fiscal year ended March 31, 2017.

- *Neuroscience.* In the therapeutic area of neuroscience, revenue attributable to *TRINTELLIX* was ¥31.9 billion, an increase of ¥7.4 billion, or 30.1%, versus the previous year, reflecting expanded share of the U.S. branded antidepressant market.

Cost of sales. Cost of sales increased ¥23.6 billion, or 4.4%, from ¥535.2 billion for the fiscal year ended March 31, 2016 to ¥558.8 billion for the fiscal year ended March 31, 2017. Cost of sales as a percentage of revenue increased from 29.6% in the fiscal year ended March 31, 2016 to 32.3% in the fiscal year ended March 31, 2017. The increase in cost of sales was primarily driven by changes in our product mix reflecting the sale of certain long-listed high-margin products to Teva Takeda Yakuhin Ltd.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased ¥31.7 billion, or 4.9%, from ¥650.8 billion for the fiscal year ended March 31, 2016 to ¥619.1 billion for the fiscal year ended March 31, 2017. However, selling, general and administrative expenses as a percentage of sales remained consistent during the fiscal year ended March 31, 2018 compared to the fiscal year ended March 31, 2017.

Research and development expenses. Research and development expenses decreased ¥23.5 billion, or 7.0%, from ¥335.8 billion for the fiscal year ended March 31, 2016 to ¥312.3 billion for the fiscal year ended March 31, 2017, due mainly to the favorable impact of a stronger yen.

Amortization and impairment losses on intangible assets associated with products. Amortization and impairment losses on intangible assets associated with products increased ¥24.9 billion, or 18.9%, from ¥131.8 billion for the fiscal year ended March 31, 2016 to ¥156.7 billion for the fiscal year ended March 31, 2017, mainly due to a ¥16.0 billion impairment loss related to *COLCRYS* recognized due to a decline in sales and a ¥7.9 billion impairment loss related to *TAK-117* due to the project's termination.

Other operating income. Other operating income increased by ¥122.2 billion from ¥21.3 billion for the fiscal year ended March 31, 2016 to ¥143.5 billion for the fiscal year ended March 31, 2017, mainly due to a ¥102.9 billion gain relating to the transfer of certain long-listed products in Japan to Teva Takeda Yakuhin Ltd. and a ¥12.0 billion gain from the reversal of contingent consideration liability reflecting decreased expected sales of *COLCRYS*.

Other operating expenses. Other operating expenses increased ¥28.5 billion, or 64.2%, to ¥72.9 billion for the fiscal year ended March 31, 2017, as compared to ¥44.4 billion for the fiscal year ended March 31, 2016, mainly due to an increase of ¥28.8 billion in restructuring expenses, including expenses incurred as a result of our research and development transformation initiative described under “—C. Research and Development, Patents and Licenses, etc.”

Operating profit. As a result of the above factors, operating profit increased ¥25.0 billion, or 19.1%, from ¥130.8 billion for the fiscal year ended March 31, 2016 to ¥155.9 billion for the fiscal year ended March 31, 2017.

Profit before tax. As a result of the above factors, profit before tax increased ¥22.8 billion, or 18.9%, from ¥120.5 billion for the fiscal year ended March 31, 2016 to ¥143.3 billion for the fiscal year ended March 31, 2017.

Income tax (expenses). Income tax expenses decreased ¥9.2 billion, or 24.9%, from ¥37.1 billion for the fiscal year ended March 31, 2016 to ¥27.8 billion for the fiscal year ended March 31, 2017. The decrease was mainly due to a lower Japanese statutory tax rate and favorable geographical mix of earnings as well as a tax provision during the previous fiscal year related to the revaluation of net deferred tax assets in Japan at a lower enacted rate. These decreases, which totaled ¥29 billion, were partially offset by an increase of ¥13.7 billion due to lower tax credits and ¥5.6 billion due to lower tax benefits from deduction of share capital basis in the current fiscal year.

Net profit for the year. As a result of the above factors, net profit for the year increased ¥32.0 billion, or 38.4%, from ¥83.5 billion for the fiscal year ended March 31, 2016 to ¥115.5 billion for the fiscal year ended March 31, 2017.

Certain Non-IFRS Performance Measures

In addition to our reported financial results prepared under IFRS, we also prepare and disclose EBITDA and Adjusted EBITDA, which are measures not prepared in accordance with IFRS. We present EBITDA and Adjusted EBITDA because we believe that these measures are useful to investors as they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We further believe that Adjusted EBITDA is helpful to investors in identifying trends in our business that could otherwise be obscured by certain items unrelated to ongoing operations because they are highly variable, difficult to predict, may substantially impact our results of operations and may limit the ability to evaluate our performance from one period to another on a consistent basis.

The usefulness of EBITDA and Adjusted EBITDA to investors has limitations including, but not limited to, (i) they may not be comparable to similarly titled measures used by other companies, including those in our industry, (ii) they exclude financial information and events, such as the effects of an acquisition or amortization of intangible assets, that some may consider important in evaluating our performance, value or prospects for the future, (iii) they exclude items or types of items that may continue to occur from period to period in the future and (iv) they may not exclude all items, which could increase or decrease these measures, which investors may consider to be unrelated to our long-term operations, such as the results of businesses divested during a period. These non-IFRS measures should not be considered in isolation and are not, and should not be viewed as, substitutes for income, net profit for the year or any other measure of performances presented in accordance with IFRS. We encourage investors to review our historical financial statements in their entirety and caution investors to use IFRS measures as the primary means of evaluating our performance, value and prospects for the future, and EBITDA and Adjusted EBITDA as supplemental measures.

EBITDA and Adjusted EBITDA

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

The following table provides a reconciliation from net profit to EBITDA and Adjusted EBITDA for the fiscal years ended March 31, 2016, 2017 and 2018.

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
Net profit for the year	¥ 83.5	¥115.5	¥186.7
Income tax expenses	37.1	27.8	30.5
Depreciation and amortization	182.2	171.4	182.1
Interest expense, net	3.0	5.5	6.8
EBITDA	¥305.8	¥320.2	¥406.1
Impairment losses	15.2	51.4	13.5
Other operating expense (income), net, excluding depreciation and amortization	17.0	(78.3)	(61.1)
Finance expense (income), net, excluding interest income and expense, net	7.3	5.4	(14.4)

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
Share of loss on investments accounted for under the equity method	0.0	1.5	32.2
Other adjustments:		—	—
Loss on deconsolidation	6.3	—	—
Transaction costs related to the acquisition of ARIAD	—	3.2	—
Impact on profit related to fair value step up of inventory in ARIAD acquisition	—	—	1.4
Adjusted EBITDA	<u>¥351.6</u>	<u>¥303.4</u>	<u>¥377.7</u>

B. Liquidity and Capital Resources.

Cash Requirements

Our cash and capital requirements are related mainly to our operating cash requirements, capital expenditures, contractual obligations, repayment of indebtedness and payment of interest and dividends.

We intend to fund the cash portion of the consideration for the Shire Acquisition through the incurrence of new indebtedness. See “—Financing Arrangements for the Shire Acquisition.”

Operating Cash Requirements

We require cash on an ongoing basis to finance our regular operations. Our cash outlays mainly include research and development expenses, milestone payments, sales and marketing expenses, personnel and other general and administrative costs and raw material costs. Income tax payments also require significant cash outlays as well as working capital financing.

Capital Expenditures

Our capital expenditures for tangible assets meeting new regulatory requirements consist primarily of enhancing and streamlining our production facilities, replacing fully depreciated items, and promoting efficiency of our operations. Our capital expenditures for intangible assets represent mainly licensed products, where such assets have been acquired from third-party partners, as well as software development expenditures. Our capital expenditures (consisting of the additions to property, plant and equipment and intangible assets recorded on our consolidated balance sheet) for the fiscal years ended March 31, 2016, 2017 and 2018 were ¥125.8 billion, ¥148.1 billion and ¥124.1 billion, respectively.

	For the fiscal year ended		
	March 31,		
	2016	2017	2018
	(billions of yen)		
Tangible assets ⁽¹⁾	¥ 94.0	¥ 72.4	¥ 74.5
Intangible assets ⁽¹⁾	31.8	75.7	49.5
Total⁽¹⁾	<u>¥125.8</u>	<u>¥148.1</u>	<u>¥124.1</u>

Note:

(1) Excludes acquisitions through business combinations.

As of March 31, 2018, we had contractual commitments for the acquisition of property, plant and equipment of ¥14.1 billion. We intend to fund such commitments with cash on hand.

Financing Obligations

We have outstanding indebtedness of ¥1,038.8 billion as of March 31, 2018 and our total interest expense for the fiscal years ended March 31, 2016, 2017 and 2018 was ¥5.3 billion, ¥7.6 billion and ¥10.0 billion, respectively.

Our long-term loans included above include the following covenants:

- Our profit before tax must not be a negative number for two consecutive years; and
- Our total equity (excluding foreign currency translation adjustments) on a quarterly basis must be at least 75% of our total equity (excluding foreign currency translation adjustments) reflected in our balance sheet for two consecutive quarters.

Other than as described above or under “—Financing Arrangements for the Shire Acquisition” below, our outstanding loans, bonds and finance lease obligations do not contain any financial covenants or restrictions on the payment of dividends, the incurrence of indebtedness (other than limited negative pledges), or the issuance or repurchase of our securities. As of March 31, 2018, none of our outstanding indebtedness is secured by any of our property.

If the Shire Acquisition is completed successfully, we expect the balance of our debt to increase significantly due to the effect of both of our financing arrangements for the Shire Acquisition and the inclusion of the indebtedness of Shire into our consolidated balance sheet. We plan to de-lever following the Shire Acquisition, with a target rate of net debt to Adjusted EBITDA of 2.0x or less within three to five years following completion of the Shire Acquisition, and are considering selected disposals of non-core assets to increase the pace of deleveraging. We expect that interest expense would increase significantly in future fiscal years until we achieve this deleveraging.

Financing Arrangements for the Shire Acquisition

Bridge Credit Agreement

On May 8, 2018, we entered into the Bridge Credit Agreement, with aggregate commitments of \$30.85 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. The commitments under the Bridge Credit Agreement were reduced by the amount of commitments under the Term Loan Credit Agreement described below of \$7.5 billion, further reduced by \$4.5 billion upon the signing of the ¥500.0 billion SSTL, further reduced in reference to the net aggregate principal amount of the 2018 Notes and further reduced by \$3.7 billion following the signing of the JBIC Loan. We do not expect to further refinance the commitments under the Bridge Credit Agreement prior to the completion of the Shire Acquisition, and do not currently intend to draw upon the Bridge Credit Agreement, although we retain the ability to do so.

The Bridge Credit Agreement includes mandatory prepayment and cancellation provisions, which would be triggered by such financing options, as well as by asset sales and equity issuances (in each case subject to customary exceptions). The proceeds of the Bridge Credit Agreement, if drawn upon, will be used primarily to fund the cash portion of the consideration payable to Shire shareholders in connection with the Shire Acquisition, as well as to pay a portion of related expenses and to refinance a portion of the existing indebtedness of Shire and its subsidiaries. The Bridge Credit Agreement is unsecured. The remaining commitments under the Bridge Credit Agreement, if drawn upon, have a maturity of 90 days from the date, following the day after completion of the Shire Acquisition, when all conditions precedent to drawing under the Bridge Credit Agreement are satisfied or waived in accordance with the terms of the Bridge Credit Agreement. The Bridge Credit Agreement is filed as an exhibit to this registration statement.

As long as any loans are drawn or commitments are outstanding under the Bridge Credit Agreement, we will be subject to certain covenants, including customary covenants regarding compliance with law, payment of

taxes, bookkeeping and reporting, as well as covenants to complete the Shire Acquisition as planned. We will also be subject to the following covenants:

- a “negative pledge,” under which we and our consolidated subsidiaries (including, after the completion of the Shire Acquisition, Shire), will not incur or suffer to be incurred liens over our properties to secure any indebtedness, subject to certain exceptions, such that the total amount of indebtedness secured by such liens exceeds \$2.5 billion at the time of incurrence; and
- as of March 31 and September 30 of each year (or June 30 and December 31 of each year, if we change our fiscal year end to December 31), beginning on September 30, 2019 at the earliest (or June 30, 2019 at the earliest, in the case of a December 31 fiscal year end) to not allow our ratio of Consolidated Net Debt (as defined in the Bridge Credit Agreement) to Consolidated EBITDA (as defined in the Bridge Credit Agreement) for the previous twelve-month period to surpass the following levels:
 - September 30, 2019 (or June 30, 2019 and December 31, 2019, in the case of a December 31 fiscal year end): 5.95 to 1.00; and
 - March 31, 2020 (or June 30, 2020, in the case of a December 31 fiscal year end) and thereafter: 5.35 to 1.00.

Term Loan Credit Agreement

On June 8, 2018, we entered into the Term Loan Credit Agreement for an aggregate principal amount of \$7.5 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. and Mizuho Bank, Ltd. The commitments under the Bridge Credit Agreement were reduced by the \$7.5 billion amount of commitments under the Term Loan Credit Agreement. The proceeds of the Term Loan Credit Agreement will be used to fund a portion of the cash consideration payable to Shire shareholders in connection with the Shire Acquisition. The Term Loan Credit Agreement is unsecured and will have a maturity of five years from the date following the day after completion of the Shire Acquisition, when all conditions precedent to drawing under the Term Loan Credit Agreement are satisfied or waived in accordance with its terms. Upon the signing of the Term Loan Credit Agreement, we also entered into Amendment No. 1 to the Bridge Credit Agreement, described above, to make certain technical and conforming changes thereto. The Term Loan Credit Agreement and Amendment No. 1 to the Bridge Credit Agreement are filed as an exhibit to this registration statement.

For as long as any loans are drawn or commitments are outstanding under the Term Loan Credit Agreement, we will be subject to certain covenants, including customary covenants regarding compliance with law, payment of taxes, bookkeeping and reporting, as well as covenants to complete the Shire Acquisition as planned. We will also be subject to the following financial covenants:

- a “negative pledge,” substantially similar to that under the Bridge Credit Agreement; and
- as of March 31 and September 30 of each year (or June 30 and December 31 of each year, if we change our fiscal year end to December 31), beginning on September 30, 2019 at the earliest (or June 30, 2019 at the earliest, in the case of a December 31 fiscal year end), to not allow our ratio of Consolidated Net Debt (as defined in the Term Loan Credit Agreement) to Consolidated EBITDA (as defined in the Term Loan Credit Agreement) for the previous twelve-month period to surpass the following levels:
 - September 30, 2019 (or June 30, 2019 and December 31, 2019, in the case of a December 31 fiscal year end): 5.95 to 1.00;
 - March 31, 2020 and September 30, 2020 (or June 30, 2020 and December 31, 2020, in the case of a December 31 fiscal year end): 5.35 to 1.00;

- March 31, 2021 and September 30, 2021 (or June 30, 2021 and December 31, 2021, in the case of a December 31 fiscal year end): 4.30 to 1.00; and
- March 31, 2022 (or June 30, 2022, in the case of a December 31 fiscal year end) and thereafter: 4.00 to 1.00.

Senior Short Term Facility Agreement

On October 26, 2018, we entered into the SSTL, with an aggregate commitment of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited. The commitments under the Bridge Credit Agreement were reduced by \$4.5 billion. The proceeds of the loan under the SSTL will be used to fund a portion of the cash consideration payable to Shire shareholders in connection with the Shire Acquisition. The SSTL is unsecured and will mature one month, two months, three months or six months from the date of drawdown (at our option). Upon the signing of the SSTL, we also entered into Amendment No. 2 to the Bridge Credit Agreement, described above, to make certain technical changes thereto. The SSTL and Amendment No. 2 to the Bridge Credit Agreement have been filed as an exhibit to this registration statement.

For as long as any loans are drawn or commitments are outstanding under the SSTL, we will be subject to certain covenants, including customary covenants regarding compliance with law, payment of taxes, bookkeeping and reporting, as well as covenants to complete the Shire Acquisition as planned. We will also be subject to a “negative pledge,” substantially similar to that under the Bridge Credit Agreement.

Subordinated Loan Agreement

On October 26, 2018, we entered into the Subordinated Loan Agreement, with aggregate commitments of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited. The proceeds of the loan under the Subordinated Loan Agreement (the “Subordinated Loan”), if drawn upon, will be used to refinance all or a part of any indebtedness incurred pursuant to the SSTL described above. We may choose not to drawdown all or a part of the Subordinated Loan if we obtain alternative financing. The Subordinated Loan is unsecured and will have a maturity of 60 years from its drawdown date (the “Subordinated Closing Date”). Under the Subordinated Loan Agreement, we may make an early repayment of all or part of the principal of the Subordinated Loan on any interest payment date on or after the sixth anniversary of the Subordinated Closing Date.

Under the Subordinated Loan Agreement, interest is payable at the end of each six-month interest period at a rate per annum equal to the sum of:

- the published Japanese Yen TIBOR rate for a period equal in length to such interest period (or, if such rate cannot be ascertained, certain customary fallback rates), plus
- a percentage per annum determined by reference to periods from the Subordinated Closing Date as set out below:
 - From the Subordinated Closing Date to the 10th anniversary of the Subordinated Closing Date, 2.00%;
 - From the 10th anniversary of the Subordinated Closing Date to the 26th anniversary of the Subordinated Closing Date, 2.25%; and
 - After the 26th anniversary of the Subordinated Closing Date, 3.00%.

Under the Subordinated Loan Agreement, we may, at our discretion, defer all or a part of the payment of interest on the Subordinated Loan, subject to certain mandatory payment clauses. As long as the Subordinated Loan or commitments under the Subordinated Loan Agreement are outstanding, we will be subject to certain

covenants, including customary covenants regarding compliance with law, payment of taxes, bookkeeping and reporting. The Subordinated Loan is unsecured and we have agreed not to provide any liens over our properties (including providing options to set any liens over their properties) to secure any indebtedness under the Subordinated Loan Agreement.

2018 Notes

On November 21, 2018, we issued Euro-denominated senior notes in the following series:

- €1,250,000,000 aggregate principal amount of 0.375% Senior Notes due November 21, 2020,
- €1,000,000,000 aggregate principal amount of the Senior Floating Rate Notes due November 21, 2020,
- €1,500,000,000 aggregate principal amount of 1.125% Senior Notes due November 21, 2022,
- €750,000,000 aggregate principal amount of the Senior Floating Rate Notes due November 21, 2022,
- €1,500,000,000 aggregate principal amount of 2.250% Senior Notes due November 21, 2026, and
- €1,500,000,000 aggregate principal amount of 3.000% Senior Notes due November 21, 2030.

Subsequently, on November 26, 2018, we issued dollar-denominated senior notes in the following series:

- \$1,000,000,000 aggregate principal amount of 3.800% Senior Notes due November 26, 2020,
- \$1,250,000,000 aggregate principal amount of 4.000% Senior Notes due November 26, 2021,
- \$1,500,000,000 aggregate principal amount of 4.400% Senior Notes due November 26, 2023, and
- \$1,750,000,000 aggregate principal amount of 5.000% Senior Notes due November 26, 2028.

The 2018 Notes were issued in private placements in reliance on exemptions from registration under the U.S. Securities Act of 1933 (the “Securities Act”). Interest on the series of 2018 Notes which are subject to fixed rates is payable annually (in the case of the Euro-denominated 2018 Notes) or semi-annually (in the case of the dollar-denominated 2018 Notes) in arrears. Interest on the series of 2018 Notes which are subject to floating rates is determined by reference to three-month EURIBOR plus an applicable spread, reset quarterly, and is payable quarterly in arrears. The proceeds of the 2018 Notes offerings will be used to fund part of the cash portion of the consideration payable to Shire shareholders in connection with the Shire Acquisition. The commitments under the Bridge Credit Agreement were reduced by reference to the amount of the proceeds of the Notes offerings. The Euro-denominated 2018 Notes were issued pursuant to a Fiscal Agency Agreement, dated as of November 21, 2018, which is included as an exhibit hereto. The dollar-denominated 2018 Notes were issued pursuant to an Indenture, dated as of November 26, 2018, which is included as an exhibit hereto.

Furthermore, the dollar-denominated 2018 Notes (but not the Euro-denominated 2018 Notes) are subject to a Registration Rights Agreement, dated as of November 26, 2018, which is included as an exhibit hereto, and under which we have agreed to file with the SEC and use commercially reasonable efforts to cause to become effective a registration statement with respect to an offer to exchange the dollar-denominated 2018 Notes for substantially identical notes (other than with respect to restrictions on transfer) that are registered under the Securities Act pursuant to the terms of the Registration Rights Agreement. Under specified circumstances, we have also agreed to use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the dollar-denominated 2018 Notes. We will be obligated to pay additional interest if we fail to comply with our obligations to register the dollar-denominated 2018 Notes within the specified time periods.

The 2018 Notes are subject to special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest, if any, to, but excluding, the special mandatory redemption date if: (i) the Shire Acquisition has not been consummated on or prior to the Long Stop Date (as defined in the terms of the 2018 Notes); or (ii) if we otherwise publicly announce that the Shire Acquisition will not be consummated.

Certain series of the fixed-rate 2018 Notes include our option to redeem them, in whole or in part, by a make-whole call at the treasury rate plus a spread, up to a specified par call date, after which such notes may be called at par. Notes which do not include such optional redemption feature will not be callable prior to the specified par call date.

No security was offered in favor of the 2018 Notes. The 2018 Notes are subject to a “negative pledge” under which we may not offer security over certain capital markets indebtedness of us or our principal subsidiaries, as defined in the terms of the 2018 Notes.

JBIC Loan

On December 3, 2018, we entered into the JBIC Loan with the Japan Bank for International Cooperation for an aggregate principal amount of up to \$3.7 billion. The commitments under the Bridge Credit Agreement were reduced by the \$3.7 billion amount of commitments under the JBIC Loan. The proceeds of the JBIC Loan will be used to fund a portion of the cash consideration payable to Shire shareholders in connection with the Shire Acquisition and related fees, costs and expenses incurred by us. The JBIC Loan is unsecured and will mature on December 11, 2025. The JBIC Loan is filed as an exhibit to this registration statement.

For as long as any loans are drawn or commitments are outstanding under the JBIC Loan, we will be subject to certain covenants, including customary covenants regarding compliance with law, payment of taxes, bookkeeping and reporting, as well as covenants to complete the Shire Acquisition as planned. We will also be subject to the following financial covenants:

- a “negative pledge,” substantially similar to that under the Bridge Credit Agreement;
- as of March 31 and September 30 of each year (or June 30 and December 31 of each year, if we change our fiscal year end to December 31), beginning on September 30, 2019 at the earliest (or June 30, 2019 at the earliest, in the case of a December 31 fiscal year end), to not allow our ratio of Consolidated Net Debt (as defined in the JBIC Loan) to Consolidated EBITDA (as defined in the JBIC Loan) for the previous twelve-month period to surpass the following levels:
 - September 30, 2019: 5.95 to 1.00;
 - March 31, 2020 and September 30, 2020: 5.35 to 1.00;
 - March 31, 2021 and September 30, 2021: 4.30 to 1.00;
 - March 31, 2022, September 30, 2022, March 31, 2023 and September 30, 2023: 4.00 to 1.00;
 - March 31, 2024 and September 30, 2024: 3.75 to 1.00 (if the Term Loan Credit Agreement has not matured, 4.00 to 1.00); and
 - March 31, 2025 and thereafter: 3.50 to 1.00 (if the Term Loan Credit Agreement has not matured, 4.00 to 1.00);
- our total equity (excluding foreign currency translation adjustments) reflected on our balance sheet as of the last day of our most recent fiscal year must be at least 75% of our total equity (excluding foreign currency translation adjustments) reflected on our balance sheet as of the last day of the second quarter of such fiscal year;
- our total equity (excluding foreign currency translation adjustments) reflected on our balance sheet as of the last day of the second quarter of our most recent fiscal year must be at least 75% of our

total equity (excluding foreign currency translation adjustments) reflected on our balance sheet as of the last day of the preceding fiscal year; and

- our profit before tax must not be negative for two consecutive years.

Capital Resources

In each of the fiscal years ended March 31, 2016, 2017 and 2018, cash flow generated by our operating activities was sufficient to supply our working capital. We may also utilize the incurrence of short-term or long-term indebtedness or sales of assets to generate capital.

Cash and cash equivalents was ¥319.5 billion as of March 31, 2017 and ¥294.5 billion as of March 31, 2018.

We believe that our sources of liquidity and capital resources are adequate for our present requirements and business operations. We are seeking to ensure that our level of liquidity and access to capital resources continue to be maintained in order for us to successfully conduct our future operations.

Dividend Policy

Our capital resource management is based on the four following focus areas:

- investments in our internal research and development pipeline, foundational technology and ability to develop and bring to market new products;
- dividends as an important tool for returning capital to shareholders, while emphasizing capital gains for shareholders through increased corporate value;
- the maintenance of an investment-grade credit rating; and
- disciplined alliances and acquisitions in order to strengthen our business around our key therapeutic areas.

As noted above, the return of capital to shareholders is one focus area for our management, and we believe our dividend policy is an important tool for accomplishing our goals. We have declared dividends of ¥180 per share, consisting of interim and fiscal year-end dividends of ¥90 per share each, in respect of each of the fiscal years ended March 31, 2016, 2017 and 2018. Dividends are generally paid semi-annually, in the fiscal quarter following the date on which they are declared. Dividends paid in the fiscal years ended March 31, 2016, 2017 and 2018 were ¥141.5 billion, ¥141.7 billion and ¥141.9 billion, respectively.

Consolidated Cash Flows

The following table shows information about our cash flows during the fiscal years ended March 31, 2016, 2017 and 2018:

	For the fiscal year ended March 31,		
	2016	2017	2018
	(billions of yen)		
Net cash from (used in) operating activities	¥ 25.5	¥ 261.4	¥ 377.9
Net cash from (used in) investing activities	(71.2)	(655.7)	(93.3)
Net cash from (used in) financing activities	(124.8)	289.9	(326.2)
Net increase (decrease) in cash and cash equivalents	¥(170.6)	¥(104.4)	¥ (41.7)
Cash and cash equivalents at the beginning of the year	652.1	451.4	319.5
Effects of exchange rate changes on cash and cash equivalents	(33.3)	(5.7)	(4.6)
Net increase (decrease) in cash and cash equivalents resulting from a transfer to assets held for sale	3.1	(21.8)	21.3
Cash and cash equivalents at the end of the year	<u>451.4</u>	<u>319.5</u>	<u>294.5</u>

Fiscal Year Ended March 31, 2018 compared with the Fiscal Year Ended March 31, 2017

Net cash from operating activities increased by ¥116.5 billion from ¥261.4 billion in the fiscal year ended March 31, 2017 to ¥377.9 billion in the fiscal year ended March 31, 2018, primarily due to the impact of a higher net profit of ¥71.2 billion and the effect of certain favorable non-cash expenses and other adjustments, including a gain on divestment of a business of ¥87.9 billion, a loss on liquidation of foreign operations of ¥41.5 billion as well as a ¥30.7 billion loss relating to the share of loss of associates. Additional sources of operating cash flow were a ¥9.8 billion decrease in inventories as a result of management effort to reduce inventory levels during the fiscal year ended March 31, 2018. These sources of cash were partially offset by a higher impairment loss of ¥37.8 billion in fiscal year ended March 31, 2017 and a gain on sale of a business of ¥106.6 billion during the fiscal year ended March 31, 2018.

Net cash used in investing activities was ¥93.3 billion for the fiscal year ended March 31, 2018, compared to ¥655.7 billion for the fiscal year ended March 31, 2017. This decrease was primarily attributable to ¥583.1 billion of net consideration paid for the acquisition of ARIAD in the fiscal year ended March 31, 2017. The decrease also reflects the effect of a payment of ¥71.8 billion into a restricted cash account in the fiscal year ended March 31, 2018 in preparation for the acquisition of TiGenix NV. This was offset by ¥84.5 billion proceeds from the divestment of Wako Pure Chemical in the same fiscal year.

Net cash used in financing activities was ¥326.2 billion for the fiscal year ended March 31, 2018, compared to net cash from financing activities of ¥289.9 billion for the fiscal year ended March 31, 2017. This was primarily the result of repayments of ¥403.9 billion of short-term bridge loans, ¥337.2 billion of proceeds from long-term loans related mainly to the refinancing of the bridge loan for the ARIAD acquisition, and repayments of other long-term loans of ¥80.0 billion in the fiscal year ended March 31, 2018, compared to ¥407.0 billion of proceeds primarily from such short-term bridge loans in the previous fiscal year.

Fiscal Year Ended March 31, 2017 compared with the Fiscal Year Ended March 31, 2016

Net cash from operating activities increased by ¥235.9 billion to ¥261.4 billion in the fiscal year ended March 31, 2017 compared to ¥25.5 billion in the fiscal year ended March 31, 2016. The increase was primarily due to the impact of a higher net profit of ¥32.0 billion as well as the favorable effect of a non-cash impairment loss of ¥36.2 billion. Cash generated by operating activities was also favorably affected by the payment of ¥289.1 billion settlement for the ACTOS litigation during fiscal year ended March 31, 2016, favorable changes in working capital, including a decrease of inventory of ¥10.7 billion as a result of management effort to reduce inventory levels, as well as an increase of accounts payable of ¥24.6 billion due to extended vendor payment terms. These favorable changes were partially offset by an increase in accounts receivable of ¥49.7 billion, mainly driven by higher sales during the fiscal year ended March 31, 2017, as well as the effect of a gain of ¥115.4 billion on divestment of a business.

Net cash used in investing activities was ¥655.7 billion for the fiscal year ended March 31, 2017, compared to ¥71.2 billion for the fiscal year ended March 31, 2016. This increase was primarily attributable to ¥583.1 billion of net consideration paid for the acquisition of ARIAD.

Net cash from financing activities amounted to ¥289.9 billion for the fiscal year ended March 31, 2017, compared to net cash used in financing activities of ¥124.8 billion for the fiscal year ended March 31, 2016. This was primarily the result of an increase in short-term bridge loans of ¥407.0 billion related to the ARIAD acquisition.

Credit Ratings

Our credit ratings, which reflect each rating agency’s opinion of our financial strength, operating performance and ability to meet our obligations, as of the date of this registration statement are as follows:

<u>Rating Agency</u>	<u>Category</u>	<u>Rating</u>	<u>Rating Structure</u>
S&P Global Ratings	Issuer credit rating/foreign currency long-term and local currency long-term	A-	Third highest of 11 rating categories and third within the category based on modifiers (e.g. A+, A and A- are within the same category).
	Issuer credit rating (short-term)	A-2	Second highest of six rating categories
Moody’s	Long-term issuer rating and Long-term senior unsecured rating	A2	Third highest of nine rating categories and second highest within the category based on modifiers (e.g. A1, A2 and A3 are within the same category).

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

In May 2018, Moody’s lowered our long-term issuer rating from A1 to A2, reflected in the table above, reflecting their expectations for our overall levels of leverage in the future, even in the absence of the Shire Acquisition. Furthermore, in May 2018, S&P Global Ratings announced that it was reviewing our credit ratings with a view to a potential downgrade due to our decision to acquire Shire. S&P Global Ratings also stated that it expects to take any potential ratings action after we complete the required legal procedures and close the acquisition, and all related financing is in place. Any future downgrades of our credit ratings may negatively affect our ability to refinance our existing debt or incur new borrowings on terms that we would consider to be commercially reasonable.

C. Research and Development, Patents and Licenses, etc.

Our research and development expenses totaled ¥335.8 billion, ¥312.3 billion and ¥325.4 billion for the fiscal years ended March 31, 2016, 2017 and 2018, respectively. Research and development of pharmaceutical products is a lengthy and expensive process that can span more than 10 years. Only a small fraction of compounds that we research result in commercially viable products. The process includes evaluations of the new drug’s efficacy and safety, application for approval, and investigation and approval by regulatory authorities. In research and development for the pharmaceutical industry, the first two to three years of the process are generally spent for discovery of a lead compound, followed by optimization of various aspects of the compound, including toxicity and efficacy. The subsequent three to five years are spent investigating in detail the compound’s efficacy, safety and pharmaceutical properties. Only a small number of compounds pass such detailed investigation and are used to commence clinical trials. Once approved, there is ongoing research and development support for marketed products, including medical affairs and other investments.

Clinical trials, which comply with regional and international regulatory guidelines, generally take five to seven years or longer and require substantial expenditures. Furthermore, it has become increasingly important to conduct clinical trials with a globally acceptable protocol to satisfy increased governmental safety requirements. As a result, only a small fraction of compounds that enter the clinical trials results in commercially viable products. In general, clinical trials are performed in accordance with the guidelines set by the International

Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use. The relevant regulatory authorities are the MHLW for Japan, the FDA for the United States and the EMA for the EU.

The three phases of human clinical trials, which may overlap with each other, are as follows:

Phase I clinical trials	Conducted using a small group of healthy adult volunteers in order to evaluate safety and absorption, distribution, metabolism and excretion of the drug.
Phase II clinical trials	Conducted using a small group of patient volunteers in order to evaluate safety, efficacy, dosage and administration methods.
Phase III clinical trials	Conducted using a large number of patient volunteers in order to evaluate safety and efficacy in comparison to other medications already available or placebo.

Of these three phases, Phase III requires the largest expenditures, and thus the decision to proceed with Phase III testing is a critical business decision in the drug development process. For those drug candidates that pass Phase III clinical trials, an NDA or a Marketing Authorization Application (“MAA”) is submitted to the relevant governmental authorities for approval and subsequent launch of the drug. The preparation of an NDA or MAA involves considerable data collection, verification, analysis and expense. In addition, while the review process generally takes about 11 months in the United States for an NDA, about 14 months in the EU for an MAA and generally 10 months in Japan for an NDA, there can be no assurance that approval from the relevant health authority will be granted in a timely manner as the authorities may require additional information. Even after the launch of the product, health authorities require post-marketing surveillance of adverse events, and they may request a post-marketing study to provide additional information regarding the risks and benefits of the product.

We are committed to transparency in conducting clinical trials and regularly publish information about our clinical trials to benefit patients and to foster scientific discovery in a way that maintains patient privacy and preserves the integrity of our research. Our transparency policies meet or exceed pharmaceutical industry’s guidelines and best practices relating to clinical trial registration and results disclosure, including guidelines issued by the International Federation of Pharmaceutical Manufacturers & Associations, the European Federation of Pharmaceutical Industries and Associations (“EFPIA”), the Japan Pharmaceutical Manufacturers Association and the Pharmaceutical Research and Manufacturers of America (“PhRMA”). Additionally, our policies meet or exceed the transparency principles set out in the Principles for Responsible Clinical Trial Data Sharing that were issued by EFPIA and PhRMA in July 2013. These five principles call for a broader sharing of clinical trial data in ways that safeguard patient privacy, respect regulatory processes and oversight, and maintain incentives to invest in biomedical research.

In July 2016, we announced our plans to transform our research and development organization by refocusing our efforts on our key therapeutic areas (GI, oncology and neuroscience), plus vaccines.

As part of the refocusing of our research and development operations, we have concentrated our in-house research and development operations in Japan and the United States. We believe that this transformation initiative was critical in providing us with the necessary organizational and financial flexibility to drive innovation, enhance partnerships and improve our research and development productivity to provide long-term, stable growth. An integral part of this transformation initiative is a concentrated effort to develop talent and research capabilities internally, while creating a research and development operating model that will enable us to access technological and other research breakthroughs from outside of Takeda or through collaborations with third-party partners in academia, the private sector, the public sector or elsewhere. Focus areas for key capability building include:

- diversifying therapeutic modalities;
- moving beyond small molecules;

- bioinformatics and genomic research; and
- translational medicine.

Our key in-house research and development facilities include:

- *Shonan Research Center*: Located in Fujisawa and Kamakura in Kanagawa Prefecture in Japan, the Shonan Research Center was established in 2011 to be the center of our global research and development network. The layout of the facility encourages communication and collaboration across formal organizational boundaries in order to encourage the sharing of knowledge and to stimulate innovation. In July 2017, we transferred part of our research operations located at the Shonan Research Center to Axcelead Drug Discovery Partners, Inc. (“Axcelead”), a newly established wholly-owned subsidiary. The operations transferred included some portion of our molecular screening, chemistry, biology, drug metabolism and pharmacokinetics and nonclinical safety research. We believe this reorganization will enable us to optimize organizational efficiency with the aim of generating innovation. The newly established company will provide integrated research support including drug discovery consulting for a broad range of diseases. The support will range from exploratory research and optimizing candidate compounds, to bridging clinical research not only internally, but also for external research institutions and bio-venture companies. In August 2018, we entered into an agreement with Whiz Partners, Inc. to create a joint investment fund called Drug Discovery Gateway Investment Limited Partnership (“DDG Fund”), aimed at promoting a drug discovery ecosystem in Japan. Under the terms of the agreement, Whiz Partners, Inc. has established the DDG Fund and assumed the responsibilities of the general partner. We plan to invest Axcelead in kind into the DDG Fund in return for limited partner shares. In April 2018, at the Shonan Research Center, we opened a new research site and renamed it Shonan Health Innovation Park (“Shonan iPark”). Shonan iPark aims to gather 3,000 researchers by the year 2020 and become a place where experts from the pharmaceutical industry, including venture start-ups, government and academia, can gather and incubate and accelerate research initiatives to create health solutions.
- *Boston Research and Development Base*: Our Boston research and development base is located in Cambridge, Massachusetts in the United States, the former site of Millennium, our wholly-owned subsidiary that was rebranded as our Global Oncology business unit in 2014. Our Boston site is the center of our oncology research and development and also supports research and development in other areas including GI, neuroscience and vaccines, and research in immunomodulation and biologics.
- *San Diego Research and Development Site*: Our research and development base located in San Diego, California in the United States supports research and development of specialized technologies in the GI and neuroscience areas.

In addition to our concentrated efforts to increase our in-house research and development capabilities, external partnerships with third-party partners are a key component of our strategy for enhancing our research and development pipeline. In the fiscal year ended March 31, 2018, we entered into more than 50 such new partnerships. We do not rely on any single partnership. Instead, our strategy is to expand and diversify our external partnerships to allow ourselves to take part in research into a wide variety of new products, increasing the chances that we will be able to take part in a major research-related breakthrough. Our research and development collaborations as of June 30, 2018 include, but are not limited to, the following:

Oncology

- *Adimab, LLC (U.S.)*: We have entered into an agreement for the discovery, development and commercialization of three monoclonal antibodies and three CD3 Bi-Specific antibodies for oncology indications.

- *Centre d'Immunologie de Marseille-Luminy (France)*: We have entered into an agreement to bring together expertise of Bernard Malissen group in innate biology with Takeda's BacTrap capabilities to identify novel targets and pathways in myeloid cells.
- *Crescendo Biologics Ltd. (U.K.)*: We have entered into a collaboration and license agreement with Crescendo Biologics Limited for the discovery, development and commercialization of therapeutics for cancer indications based on Crescendo's Humabody® technology. Humabodies® are a novel class of extremely small in size, robust and potent protein therapeutics based on fully human VH domain building blocks. The Humabody® platform can be used to develop cancer therapeutics based on Humabody® Drug Conjugates and multi-specific Immuno-Oncology modulators.
- *Exelixis, Inc. (U.S.)*: We have entered into an exclusive licensing agreement with Exelixis, Inc. for the commercialization and further clinical development in Japan of cabozantinib. We receive exclusive commercial rights for all potential future cabozantinib indications in Japan, including advanced renal cell carcinoma, for which cabozantinib is marketed in the U.S. and EU as CABOMETYXTM tablets.
- *GammaDelta Therapeutics Ltd. (U.K.)*: We have entered into a collaboration agreement with GammaDelta Therapeutics Ltd. ("GammaDelta") to develop GammaDelta's novel T cell platform, which is based on the unique properties of gamma delta T cells derived from human tissues. The companies intend to use this novel platform to discover and develop new immunotherapies, with the aim of treating a broad range of cancers, including solid tumors, and autoinflammatory diseases.
- *Haemalogix (Australia)*: We have entered into a research collaboration and licensing agreement for the development of new therapeutics to novel antigens in multiple myeloma.
- *Heidelberg Pharma GmbH (Germany)*: We have entered into an antibody-drug-conjugate research collaboration on two targets and licensing agreement (α -amanitin payload and proprietary linker).
- *ImmunoGen, Inc. (U.S.)*: We have entered into a licensing agreement with ImmunoGen Inc. ("Immunogen") for exclusive rights to use ImmunoGen's ADC technology to develop and commercialize targeted anticancer therapeutics for up to two undisclosed targets.
- *Maverick Therapeutics Inc. (U.S.)*: We have entered into an agreement with Maverick Therapeutics Inc. ("Maverick") to collaborate on the development of Maverick's T-cell engagement platform created specifically to improve the utility of T-cell redirection therapy for the treatment of cancer. Under the agreement, we have the exclusive right to purchase Maverick after five years.
- *Memorial Sloan Kettering Cancer Center (U.S.)*: We have entered into an alliance to discover and develop novel chimeric antigen receptor T ("CAR-T") cell products for the potential treatment of hematological malignancies and solid tumors. This partnership pursues the development of therapies that redirect T cell immunity against liquid or solid tumors.
- *Mersana (U.S.)*: We have entered into agreements with Mersana relating to our collaboration to develop cancer treatments based on Mersana's ADC technology. Pursuant to this collaboration, we and Mersana are developing cancer treatment based on *Fleximer*, Mersana's ADC platform that supports custom design an ADC. In 2016, we expanded our collaboration with Mersana and obtained rights outside the United States and Canada to XMT-1522, an ADC therapy that targets HER2-expressing tumors, including breast, gastric and NSCLC. Mersana is currently leading Phase I trials for XMT-1522.
- *Molecular Templates, Inc. (U.S.)*: We have entered into a collaboration agreement with Molecular Templates, Inc. ("MTEM") for oncology drug discovery programs. The collaboration will apply MTEM's engineered toxin bodies technology platform to potential therapeutic targets. In September 2018, this collaboration was expanded for the joint development and commercialization of CD38-targeted engineered toxin bodies for the treatment of patients with diseases such as multiple myeloma.

- *Nektar Therapeutics (U.S.):* We have entered into a collaboration agreement with Nektar Therapeutics (“Nektar”) to explore the combination of Nektar’s lead immuno-oncology candidate, the CD122-biased agonist NKTR-214, with five oncology compounds from Takeda’s cancer portfolio.
- *Noile-Immune Biotech Inc. (Japan):* We have entered into a collaboration agreement with Noile-Immune Biotech Inc. (“Noile-Immune”) to develop next generation CAR-T cell therapy. We will have exclusive options to obtain licensing rights for the development and commercialization of Noile-Immune’s pipeline and products resulting from this partnership.
- *Seattle Genetics, Inc. (U.S.):* We entered into a licensing agreement with Seattle Genetics, Inc. regarding *ADCETRIS* (brentuximab vedotin), an HL treatment. We jointly develop *ADCETRIS* with Seattle Genetics, Inc. and have commercialization rights in countries outside the United States and Canada. *ADCETRIS* was launched in the EU in 2012 and has been approved in 67 countries. Clinical trials are currently being conducted for additional indications of *ADCETRIS*.
- *Shattuck Labs Inc. (U.S.):* We have entered into a collaboration agreement with Shattuck Labs Inc. (“Shattuck”) to explore and develop checkpoint fusion proteins using Shattuck’s Agonist Redirected Checkpoint platform that have the potential to become highly differentiated, next-generation immunotherapies. We will hold options for exclusive global development and commercialization rights for up to four molecules resulting from the collaboration.
- *Tesaro, Inc. (U.S.):* We have entered into an exclusive licensing agreement with Tesaro, Inc. for the commercialization and clinical development of Niraparib, a novel poly ADP-ribose polymerase inhibitor. The collaboration agreement grants us the right to develop and commercialize all indications in Japan and all indications, except prostate cancer, in South Korea, Taiwan, Russia and Australia.
- *Teva Pharmaceutical Industries Ltd. (Israel):* We entered into a multi-target discovery collaboration with Teva Pharmaceutical Industries Ltd. (“Teva”) for access to Teva’s attenu kinase platform including a license to TEV-48573, a CD38 targeted antibody fused with attenuated interferon alpha for the treatment of MM.

GI

- *Altos Therapeutics LLC (U.S.):* We entered into a definitive agreement with Altos Therapeutics LLC (“Altos”) to further the development of Altos’s proprietary compound ATC-1906. The agreement includes an exclusive option for Takeda to acquire Altos beginning on the date of the agreement and continuing for a period of time following the completion of ongoing Phase 1 studies of ATC-1906. The parties envision future development of ATC-1906 for the treatment of GP and its symptoms. We exercised the option in January 2017 and Altos is now a wholly-owned subsidiary of Takeda.
- *Ambys Medicines (U.S.):* We have entered into a partnership with Ambys Medicines (“Ambys”) to collaborate on transformative therapies for the treatment of serious liver diseases. Ambys is applying novel modalities, cell and gene therapy to restore liver function and prevent the progression to liver failure for diseases that are untreatable or poorly treated today. Under the terms of the agreement, Takeda receives an option to ex-U.S. commercialization rights for the first four products that reach an investigational NDA.
- *Arcturus Therapeutics, Inc. (U.S.):* We have entered into an agreement with Arcturus Therapeutics, Inc. to develop RNA-based therapeutics for the treatment of nonalcoholic steatohepatitis and other gastrointestinal related disorders.
- *Beacon Discovery Inc. (U.S.):* We have entered into a multi-year drug discovery collaboration with Beacon Discovery Inc. (“Beacon”) on a number of G-protein coupled receptors (GPCRs) that play

an important role in the pathology of gastrointestinal disorders. Through the collaboration, Beacon will leverage its GPCR drug discovery expertise to identify drug candidates for a range of GI diseases with significant unmet medical need. The agreement grants Takeda worldwide rights to develop, manufacture and commercialize products resulting from the collaboration.

- *Cour Pharmaceutical Development Company, Inc. (U.S.):* We have entered into an agreement with Cour Pharmaceutical Development Company, Inc. (“Cour”) to research and develop novel immune modulating therapies for the potential treatment of celiac disease using nanotechnologies based on Cour’s TIMP platform.
- *Emulate, Inc. (U.S.):* We have entered into a collaboration for drug discovery for IBD using organ-on-chip micro-engineered cell models.
- *Enterome Bioscience SA (France):* We have entered into an agreement with Enterome Bioscience SA for a strategic drug discovery collaboration to research and develop potential new therapeutics directed at microbiome targets thought to play crucial roles in gastrointestinal disorders, including IBDs such as ulcerative colitis and motility disorders such as irritable bowel syndrome.
- *Finch Therapeutics Group, Inc. (U.S.):* We have entered into a global collaboration agreement with Finch Therapeutics Group, Inc. (“Finch”), a microbiome engineering company, to jointly develop FIN-524. FIN-524 is a live biotherapeutic product in pre-clinical research. It is composed of cultured bacterial strains that have been linked to favorable clinical outcomes in studies of microbiota transplantations in IBD. Under the terms of the agreement, we obtain the exclusive worldwide rights to develop and commercialize FIN-524 and rights to follow-on products in IBD. We and Finch may elect to extend this collaboration to additional and related indications on similar terms.
- *Hemoshear Therapeutics, LLC (U.S.):* We have entered into a partnership with Hemoshear Therapeutics, LLC (“Hemoshear”) to discover and develop novel therapeutics for liver diseases, including nonalcoholic steatohepatitis (NASH). Takeda will receive exclusive access to HemoShear’s proprietary disease modeling platform to discover and develop best-in-class therapeutics for specific liver diseases.
- *Karolinska Institutet & Structural Genomics Consortium (Sweden):* We have entered into a proprietary collaboration to discover and validate new potential intervention points for the treatment of IBD.
- *NuBiyota LLC (Canada):* We have entered into an agreement with NuBiyota LLC (“NuBiyota”) for the development of Microbial Ecosystem Therapeutic products for GI indications with a high unmet medical need. Under this agreement, we and NuBiyota will collaborate to advance oral microbial consortia products developed by using NuBiyota’s microbiome platform for GI indications.
- *PvP Biologics, Inc. (U.S.):* We entered into a global agreement with PvP Biologics, Inc. (“PvP”) for the development of KumaMax, a novel enzyme designed to break down the immune-reactive parts of gluten in the stomach, thereby avoiding the painful symptoms and damage done in the small intestine from accidental gluten ingestion. Under the terms of the development agreement, we will provide financing for PvP to conduct research and development through Phase I proof-of-principle studies and obtain an exclusive option to acquire PvP following receipt of a pre-defined data package.
- *Samsung Bioepis Co., Ltd. (South Korea):* We entered into an agreement to jointly fund and co-develop multiple novel biologic therapies in unmet disease areas. The two companies immediately began working on the program’s first therapeutic candidate, TAK-671, which is intended to treat severe acute pancreatitis.
- *Theravance Biopharma Inc. (Ireland):* We have entered into a global license, development and commercialization agreement with Theravance Biopharma Inc. (“Theravance”) for TD-8954, a

selective 5-HT₄ receptor agonist being investigated for potential use in the treatment of gastrointestinal motility disorders, including enteral feeding intolerance (“EFI”). TD-8954 is being developed for the short-term use with EFI to achieve early nutritional adequacy in critically ill patients at high nutritional risk, an indication for which the compound received the FDA Fast Track Designation. Theravance has most recently completed a study evaluating the safety, tolerability and pharmacodynamics of a single dose of the compound administered intravenously compared to metoclopramide in critically ill patients with EFI.

- *TiGenix NV (Belgium)*: Acquisition of an advanced biopharmaceutical company developing novel stem cell therapies for serious medical conditions. The acquisition is a natural extension of an existing partnership agreement between Takeda and TiGenix NV, which aims to bring new treatment options to patients with gastrointestinal disorders. We completed acquisition of TiGenix NV on July 31, 2018.

Neuroscience

- *Affilogic (France)*: We have entered into an agreement with Affilogic regarding research collaboration to explore using Affilogic’s proprietary Nanofitins[®] platform in therapies targeting the central nervous system. Nanofitins[®] are potent antibody-mimetics, exhibiting high affinity and specificity for capture, targeting and interaction with biomolecules. Under the agreement, we will be entitled to commercialize worldwide products incorporating Affilogic Nanofitins[®] resulting from the collaboration.
- *AstraZeneca (U.K.)*: We have entered into a collaboration to jointly develop and commercialize MEDI-1341, an alpha-synuclein antibody currently in development as a potential treatment for Parkinson’s disease with AstraZeneca. MEDI-1341 is an antibody that is differentiated by its high affinity, high selectivity and reduced effector function (lower interaction with the immune system), which has the potential to achieve a better efficacy and safety profile than other alpha-synuclein antibodies. Under the terms of the agreement, AstraZeneca will lead Phase I development while Takeda will lead future clinical development activities. The companies will share equally future development and commercialization costs for MEDI-1341, as well as any future revenues.
- *Cerevance (U.S., U.K.)*: In December 2016, we and Lightstone Ventures established Cerevance, a neuroscience company focused on discovering and developing novel therapeutics for neurological and psychiatric disorders. We provided Cerevance with a 25-person neuroscience research team from our Cambridge, United Kingdom site, fully equipped laboratory space and licenses to a portfolio of preclinical and clinical stage drug programs.
- *Denali Therapeutics Inc. (U.S.)*: We have entered into a strategic option and collaboration agreement to develop and commercialize up to three specified therapeutic product candidates for neurodegenerative diseases with Denali Therapeutics, Inc. (“Denali”). Each program is directed to a genetically validated target for neurodegenerative disorders, including Alzheimer’s disease and other indications, and incorporates Denali’s antibody transport vehicle platform for increased exposure of biotherapeutic products in the brain.
- *H. Lundbeck A/S (Denmark)*: We are in collaboration with H. Lundbeck A/S to develop and commercialize vortioxetine.
- *Mindstrong Health (U.S.)*: We have entered into a collaboration with Mindstrong Health to explore development of digital biomarkers for selected mental health conditions, in particular schizophrenia and treatment-resistant depression.
- *Ovid Therapeutics Inc. (U.S.)*: We have entered into an agreement with Ovid Therapeutics Inc. (“Ovid”), a privately-held biopharmaceutical company that develops medicines for rare neurological diseases, for the formation of a global collaboration focused on the clinical

development and commercialization of TAK-935, a novel, potent and highly selective CH24H inhibitor, in rare pediatric epilepsies. Under the terms of the agreement, we received equity in Ovid and may be eligible to receive certain milestone payments based on the advancement of TAK-935. We and Ovid will share the development and commercialization costs and, if successful, any profits on a 50/50 basis. We will lead commercialization in Japan, and have the option to lead commercialization in Asia and other selected geographies. Ovid will lead clinical development activities and commercialization of TAK-935 in the United States, Europe, Canada and Israel. The collaboration will be based on a “One Team” concept, an integrated and interdisciplinary team from both companies devoted to the project.

- *Teva Pharmaceutical Industries Ltd. (Israel)*: We are in collaboration with Teva Pharmaceutical Industries Ltd. to develop and commercialize rasagiline.
- *Wave Life Sciences Ltd. (Singapore)*: We have entered into a research, development and commercial collaboration and multi-program option agreement with Wave Life Sciences Ltd. to develop antisense oligonucleotides for genetically-defined neurological diseases. The first component of the collaboration will focus on programs targeting Huntington’s disease, amyotrophic lateral sclerosis, frontotemporal dementia and spinocerebellar ataxia type 3. The second component of the collaboration provides Takeda with the rights to exclusively license multiple preclinical programs targeting other neurological disorders including Alzheimer’s disease and Parkinson’s disease.

Vaccines

- *Bill & Melinda Gates Foundation (U.S.)*: We have entered into an agreement with the Bill & Melinda Gates Foundation for a partnership to support polio eradication in developing countries. Under the agreement, we will develop, license and supply at least 50 million doses per year of Sabin-strain inactivated poliovirus vaccine (TAK-195, our vaccine candidate) to more than 70 developing countries. Under the terms of the agreement, the Bill & Melinda Gates Foundation will provide a \$38 million grant to us.
- *U.S. Government—Biomedical Advanced Research and Development Authority (U.S.)*: We have been selected by the Biomedical Advanced Research and Development Authority (“BARDA”), a division of the Office of the Assistant Secretary for Preparedness and Response (“ASPR”), within the U.S. Department of Health and Human Services, to develop a Zika vaccine (TAK-426, our Zika vaccination candidate) to support the Zika response in the United States and affected regions around the world. Initial funding from BARDA is for \$19.8 million to cover the vaccine development through Phase I, with potential funding of up to \$312 million if ASPR/BARDA exercises all options to take the vaccine through Phase III trials and filing of the Biologics License Application (“BLA”) in the United States.
- *Zydus Cadila (India)*: We have entered into an agreement with Zydus Cadila for a partnership to address the global threat of chikungunya and develop a chikungunya vaccine (TAK-507, our chikungunya vaccine candidate). Chikungunya is an emerging infectious disease in Africa, Asia and the Indian subcontinent. In recent decades, mosquito vectors of chikungunya have spread to Europe and the Americas as well. According to the Centers for Disease Control and Prevention in the United States, there is currently no vaccine to prevent or medicine to treat chikungunya virus infection.

Other or Multiple Therapeutic Areas

- *Arcellx, Inc. (U.S.)*: We have made an investment in Arcellx, Inc., which is a company that develops format for T cell-mediated anti-tumor therapy.
- *ArmaGen, Inc. (U.S.)*: We have made an investment in ArmaGen, Inc., whose proprietary technology platform takes advantage of the body’s natural system to deliver therapeutics to the brain in a non-invasive manner.

- *Arix Biosciences plc (U.K.):* We have established a relationship with Arix Biosciences plc (“Arix”) to bring together the unique combination of entrepreneurial business building, investing and industry operating skills at Arix with our deep industry experience, to the mutual benefit of both businesses. Arix will provide access to deal flow and a specialist team across its activities to create and incubate companies, guided by a joint advisory committee.
- *Atlas Ventures Fund XI (U.S.):* We invested as a corporate strategic partner in Atlas Venture Fund XI, a \$350 million investment vehicle focused exclusively on early stage biotech investing.
- *BioMotiv, LLC (U.S.):* We have entered into an agreement with BioMotiv, LLC, the therapeutic accelerator company associated with The Harrington Project for Discovery & Development, to identify and develop pioneering medical innovations specifically in the therapeutic areas of immunology and inflammation and cardio-metabolic diseases.
- *Biosurfaces, Inc. (U.S.):* We have entered into an agreement with Biosurfaces, Inc. to develop innovative medical devices to treat patients with GI diseases using BioSurfaces, Inc.’s proprietary nanomaterial technology.
- *BiomX Ltd. (Israel):* We have made an investment in BiomX Ltd., which is a company that discovered and validated proprietary bacterial targets, and develops rationally designed phage therapies that seek and destroy harmful bacteria in microbiome-related diseases such as IBD and cancer.
- *Bridge Medicines (U.S.):* We partnered with Tri-Institutional Therapeutics Discovery Institute, Bay City Capital and Deerfield Management in the establishment of Bridge Medicines. Research projects accepted into the Tri-Institutional Therapeutics Discovery Institute will be able to graduate to Bridge Medicines, where they will be given financial, operational and managerial support to move seamlessly from validating proof-of-concept studies to clinical trials.
- *Center for iPS Cell Research and Application, Kyoto University (Japan):* We have entered into a 10-year collaboration and established a joint research program with the Center for iPS Cell Research and Application, at Kyoto University to develop clinical applications of induced pluripotent stem cells in therapeutic areas including cancer, heart failure, diabetes mellitus, neurodegenerative disorders and intractable muscle diseases.
- *Cortexyme, Inc. (U.S.):* We have made an investment in Cortexyme, Inc., a company that is developing therapeutics based on data supporting a new theory of the cause of Alzheimer’s and other degenerative disorders.
- *Dementia Discovery Fund (Global):* The Dementia Discovery Fund is a global investment fund to support discovery and development of novel dementia treatments. We are an investor in the Dementia Discovery Fund and also hold a seat on the Scientific Advisory Board.
- *Emendobio Inc. (Israel):* We have made an investment in Emendobio Inc., a company that is at the forefront of cutting-edge genetic medicine and is developing genome editing technology that can repair and eliminate genetic mutations in living cells that cause serious diseases or disorders.
- *FUJIFILM Corporation (Japan):* We have entered into a collaboration to develop regenerative medicine therapies using cardiomyocytes derived from induced Pluripotent Stem Cell (“iPSC”) for the treatment of heart failure. Takeda obtained Right of First Negotiation to collaboratively and globally commercialize such regenerative medicine products using cardiomyocytes derived from iPSC, currently under development by FUJIFILM Corporation’s affiliate company, Cellular Dynamics International, Inc. Under this contract, Takeda will make a one-time payment to FUJIFILM Corporation and both companies will evaluate the safety and efficacy of resulting regenerative medicine therapies.
- *FutuRx (Israel):* We partnered with Johnson & Johnson Innovation Fund and OrbiMed Israel Partners to team with the Office of the Israeli Innovation Authority of the Ministry of Economy in

to transform breakthrough discoveries into novel medicines by applying a unique structure of equally balanced partnership among the three founding organizations. FutuRx envisions its role as a catalyst for drug development by bridging the gap between concept and proof-of-concept through its dedicated system and unique structure.

- *Harrington Discovery Institute at University Hospitals in Cleveland, Ohio (U.S.):* We have entered into a collaboration with Harrington Discovery Institute at University Hospitals in Cleveland, Ohio for the advancement of medicines for rare diseases.
- *HitGen Ltd. (China):* HitGen Ltd. will apply its advanced technology platform, based on DNA-encoded library design, synthesis and screening, to discover novel leads, which will be licensed exclusively to Takeda.
- *HiFiBiO Inc. (U.S.):* We have entered into a collaboration for functional therapeutics high-throughput antibody discovery platform that enables identification of antibodies for rare events, for discovery of therapeutic antibodies for GI and Oncology.
- *Hookipa Pharma Inc. (Austria):* We have made an investment in Hookipa Pharma Inc. for value creation through venture and biotech partnerships investment.
- *Isogenica Ltd. (U.K.):* We have entered into an agreement with Isogenica Limited for access to a sdAb (single-domain antibody) platform to generate a toolbox of VHH (Variable domain of Heavy chain of Heavy chain antibody) for various immune cells, and we are targeting pathway validation and pipeline development across our GI and Oncology portfolio.
- *National Cancer Center of Japan (Japan):* We have entered into a partnership agreement with the National Cancer Center of Japan to discover and develop anticancer agents. Through this partnership, we and the National Cancer Center will share information and hold regular discussions in order to collaborate and transition findings from basic research to clinical research and development activities.
- *Numerate, Inc. (U.S.):* We have entered into an agreement for joint-discovery programs aimed at identifying clinical candidates for use in Takeda's core therapeutic areas, namely GI, Oncology and Neuroscience. Numerate, Inc. will use its AI-driven platform, from hit finding and expansion through lead design/optimization and Absorption, Distribution, Metabolism and Excretion ("ADME")/toxicity modeling.
- *OrphoMed, Inc. (U.S.):* We have made an investment in OrphoMed Inc., a clinical-stage biotechnology company with a proprietary dimer therapeutics platform. OrphoMed Inc. is focused on developing best-in-class treatments for patients with gastrointestinal disorders.
- *Obsidian Therapeutics, Inc. (U.S.):* We have made an investment in Obsidian Therapeutics, Inc., a company that is developing next-generation cell and gene therapies with pharmacologic operating systems.
- *Portal Instruments, Inc. (U.S.):* We have entered into a collaboration with Portal Instruments, Inc. ("Portal") to develop and commercialize Portal's needle-free drug delivery device for potential use with our investigational or approved biologic medicines. The first development program to potentially utilize this device will be for investigational use with ENTYVIO, which is currently administered through intravenous infusion.
- *Presage Biosciences, Inc. (U.S.):* We have made an investment in Presage Biosciences, Inc., a company that uses CIVO®, a platform that enables simultaneous and direct assessment of multiple early stage agents in the context of human patients.
- *Recursion Pharmaceuticals, Inc. (U.S.):* We have entered into an agreement to provide pre-clinical candidates for Takeda's TAK-celerator™ development pipeline.

- *Ribon Therapeutics, Inc. (U.S.):* We have made an investment in Ribon Therapeutics, Inc., a company that is pioneering the discovery and development of monoPARP (mono ADP-ribose polymerase) inhibitors to block cancer cells' fundamental ability to survive under stress.
- *Schrödinger, LLC (U.S.):* We have entered into a multi-target research collaboration combining Schrödinger, LLC's in silico platform-driven drug discovery capabilities with Takeda's deep therapeutic area knowledge and expertise in structural biology.
- *Seattle Collaboration (U.S.):* We have formed a research alliance, Seattle Partnership for Research on Innovative Therapies ("SPRInT"), aiming to accelerate the translation of Fred Hutchinson Cancer Research Center's and University of Washington's cutting-edge discoveries into treatments for human disease, with a focus on GI, Oncology and Neuroscience.
- *Stanford University (U.S.):* We have entered into a collaboration with Stanford University to form the Stanford Alliance for Innovative Medicines ("Stanford AIM") to develop innovative treatments and therapies in a more effective manner.
- *StrideBio, Inc. (U.S.):* We have made an investment in StrideBio, Inc., a company that develops engineered viral vectors for gene therapy for the treatment of rare diseases. StrideBio Inc.'s technology engine utilizes structure-inspired design to engineer Adeno Associated Virus ("AAV") vectors that can escape pre-existing neutralizing antibodies.
- *Tri-Institutional Therapeutics Discovery Institute, Inc. (U.S.):* We partnered with the Tri-Institutional Therapeutics Discovery Institute, which was formed by the three institutions, the Memorial Sloan Kettering Cancer Center, The Rockefeller University and Weill Cornell Medicine, in 2013, with the goal of expediting early-stage drug discovery of innovative new therapies. The partnership between us and the Tri-Institutional Therapeutics Discovery Institute was expanded in 2016 from the realm of small molecule discovery into the new research area of antibody drug discovery.
- *Univercells SA (Belgium):* We have made an investment in Univercells SA, a technology company delivering novel biomanufacturing platforms, aiming at making biologics available and affordable to all.
- *Ultragenyx Pharmaceutical Inc. (U.S.):* We have entered into an agreement with Ultragenyx Pharmaceutical Inc. ("Ultragenyx"), to partner in the development and commercialization of therapies to treat rare genetic diseases. Ultragenyx will receive an exclusive license to one of our preclinical product candidates in a pre-determined field of use, and will have an exclusive option to co-develop and co-commercialize the product candidate in additional therapeutic areas. We and Ultragenyx have also established a five-year research collaboration under which Ultragenyx will have the option to license up to five additional of our product candidates for rare diseases. We receive an exclusive option to commercialize any licensed products resulting from the collaboration in Asia, including Japan. And an option to exclusively license one Ultragenyx pipeline product in Japan.
- *VelosBio, Inc. (U.S.):* We have made an investment in VelosBio Inc., a preclinical stage company developing antibody drug conjugates.
- *VHsquared Ltd. (U.K.):* We have made an investment in VHsquared Ltd., a clinical stage company developing transformational therapies (Vorabodies™, which are oral domain antibodies) for IBD.

D. Trend Information.

The information required by this item is set forth in Item 5. A of this registration statement.

E. Off-Balance Sheet Arrangements.

Milestone Payments

Under the terms of our collaborations with third parties for the development of new products, we may be required to make payments for the achievement of certain milestones related to the development of pipeline products and the launch and subsequent marketing of new products. As of March 31, 2017 and 2018, the contractual amount of potential milestone payments totaled ¥364.9 billion and ¥517.0 billion, respectively, in each case excluding potential commercial milestone payments for pipeline products under development.

F. Tabular Disclosure of Contractual Obligations.

The following table summarizes our contractual obligations as of March 31, 2018.

	Total contractual amount ⁽¹⁾	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
(billions of yen)					
Bonds and loans: ⁽²⁾⁽³⁾					
Bonds	¥ 173.2	—	120.0	53.2	—
Loans	813.2	0.0	130.0	75.0	608.2
Purchase obligations for property, plant and equipment	14.1	14.1	—	—	—
Finance lease obligations	99.2	4.8	8.9	5.4	80.0
Operating lease obligations	77.1	12.1	19.2	12.0	33.7
Contributions to defined benefit pension plans ⁽⁴⁾	4.7	4.7	—	—	—
Total ⁽⁵⁾⁽⁶⁾	<u>¥1,181.4</u>	<u>¥35.7</u>	<u>¥278.1</u>	<u>¥145.7</u>	<u>¥721.9</u>

Notes:

- (1) Obligations denominated in currencies other than yen have been translated into yen using period-end exchange rates for the fiscal year ended March 31, 2018 and may fluctuate due to changes in exchange rates.
- (2) Repayment obligations may be accelerated if we breach the relevant covenants under the relevant instruments.
- (3) Does not include interest payment obligations.
- (4) Pension and post-retirement contributions cannot be determined beyond the fiscal year ending March 31, 2019.
- (5) Does not include contractual obligations whose timing we are unable to estimate, including defined benefit contribution obligations, litigation reserves and long-term income tax liability and does not include liabilities recorded at fair value as amounts will fluctuate based on any changes in fair value including derivative liabilities and contingent consideration. Milestone payments that are dependent on the occurrence of certain future events are not included.
- (6) Does not include purchase orders entered into for purchases made in the normal course of business.

G. Safe harbor.

Statements in Item 5. E and Item 5. F of this registration statement on Form 20-F that are not statements of historical fact, constitute “forward-looking statements.” See “Forward-Looking Statements” on page 2 of this registration statement. The Company is relying on the safe harbor provided in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, as amended, in making such forward-looking statements.

Appendix: Operating and Financial Review and Prospects of Shire

The following discussion should be read in conjunction with the consolidated financial statements of Shire contained in this registration statement.

The following table presents selected financial information for the years ended December 31, 2015, 2016 and 2017, which is derived from Shire's consolidated financial statements. The following table also presents selected financial information for the nine months ended September 30, 2017 and 2018, which is derived from Shire's unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2018. The selected consolidated financial data should be read in conjunction with the audited consolidated financial statements and the unaudited consolidated financial statements of Shire included in this registration statement.

	For the fiscal year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
	(millions of dollars)				
Statements of Operations:					
Revenues:					
Product sales	\$6,099.9	\$10,885.8	\$14,448.9	\$10,537.9	\$11,198.5
Royalties and other revenues	316.8	510.8	711.7	477.8	358.4
Total revenues	6,416.7	11,396.6	15,160.6	11,015.7	11,556.9
Costs and expenses:					
Cost of sales	969.0	3,816.5	4,700.8	3,437.3	3,398.3
Research and development	1,564.0	1,439.8	1,763.3	1,324.5	1,240.0
Selling, general and administrative	1,842.5	3,015.2	3,530.9	2,647.7	2,549.3
Amortization of acquired intangible assets	498.7	1,173.4	1,768.4	1,280.5	1,375.3
Integration and acquisition costs	39.8	883.9	894.5	696.7	512.0
Reorganization costs	97.9	121.4	47.9	24.5	268.9
Gain on sale of Oncology and product rights	(14.7)	(16.5)	(0.4)	(0.4)	(267.2)
Total operating expenses	4997.2	10,433.7	12,705.4	9,410.8	9,076.6
Operating income from continuing operations					
Interest income	4.2	18.4	9.7	5.7	4.8
Interest expense	(41.6)	(469.6)	(578.9)	(425.4)	(378.1)
Other (expense) / income, net	3.7	(25.6)	7.4	6.8	(43.9)
Total other expense, net	(33.7)	(476.8)	(561.8)	(412.9)	(417.2)
Income from continuing operations before income taxes and equity in earnings of equity methods investees					
Income taxes	(46.1)	126.1	2,357.6	(44.6)	(371.0)
Equity in earnings / (losses) of equity method investees, net of taxes	(2.2)	(8.7)	2.5	0.1	11.2
Income from continuing operations, net of taxes					
(Loss) / gain from discontinued operations, net of taxes	(34.1)	(276.1)	18.0	18.6	—
Net income	\$1,303.4	\$ 327.4	\$ 4,271.5	\$ 1,166.1	\$ 1,703.3

Shire has grown both organically and through acquisition, completing a series of major transactions that have brought therapeutic, geographic and pipeline growth and diversification. Shire's revenues, expenditures and net assets are attributable to the R&D, manufacture, sale and distribution of pharmaceutical products within one reportable segment. Shire also earns royalties and other revenues (where Shire has out-licensed products to third parties) that are recorded as royalty and other revenues.

Revenues are derived primarily from two sources - sales of Shire's own products and royalties and other revenues:

- 2017: 95.3% (2016: 95.5%) of total revenues are derived from Product sales; and
- 2017: 4.7% (2016: 4.5%) of total revenues are derived from royalties and other revenues, including upfront payments from out-license arrangements.

Shire's current portfolio of approved products spans six key therapeutic areas: Immunology, Hematology, Neuroscience, Internal Medicine, Genetic Diseases and Ophthalmics. In 2017, the contribution of each therapeutic area to overall product sales was as follows:

	<u>Product sales</u>	<u>Percentage</u>
	<u>(millions of dollars, except</u>	<u>percentages)</u>
Immunology	\$ 4,370.3	30.2%
Hematology	3,785.6	26.2%
Neuroscience	2,664.1	18.4%
Internal Medicine	1,670.3	11.6%
Genetic Diseases	1,437.7	10.0%
Oncology ⁽¹⁾	261.7	1.8%
Ophthalmics	259.2	1.8%
	<u>\$14,448.9</u>	<u>100.0%</u>

(1) On August 31, 2018, Shire sold its oncology franchise to Servier for \$2.4 billion.

Shire has grown in part through acquisition which has brought therapeutic, geographic and pipeline growth and diversification. The acquisition of Baxalta in June 2016 added the Hematology, Immunology and Oncology franchises and enabled Shire to become the global leader in rare diseases and highly specialized conditions. The acquisition of Dyax in January 2016, with its lead pipeline product, TAKHZYRO, and marketed product KALBITOR, expanded and extended Shire's industry-leading HAE portfolio (FIRAZYR and CINRYZE). In July 2016, Shire licensed the global rights to all indications for SHP647 from Pfizer Inc. SHP647 is an investigational biologic being evaluated for the treatment of moderate-to-severe inflammatory bowel disease. In 2015, Shire acquired NPS Pharma, Meritage Pharma, Inc. ("Meritage Pharma") and Foresight Biotherapeutics Inc. ("Foresight"). The acquisition of NPS Pharma added global rights to an innovative product portfolio with multiple growth catalysts, including GATTEX/REVESTIVE and NATPARA/NATPAR. The acquisition of Meritage Pharma provided global rights to SHP621, a Phase 3 ready asset for the treatment of adolescents and adults with EoE, a rare, chronic inflammatory GI disease. This builds upon Shire's rare disease and GI commercial infrastructure and expertise. With the acquisition of Foresight, Shire acquired the global rights to SHP640 (topical ophthalmic drops combining 0.6% povidone iodine (PVP-I) and 0.1% dexamethasone), a therapy in late-stage development for the treatment of infectious conjunctivitis, an ocular surface condition commonly referred to as pink eye. This acquisition has a clear strategic fit with XIIDRA, which is approved in the U.S. for the treatment of the signs and symptoms of dry eye disease, and further demonstrates Shire's commitment to building a leadership position in ophthalmics.

On February 20, 2018, Shire, Microsoft, and EURORDIS-Rare Diseases Europe announced a strategic initiative to accelerate time to diagnosis for children with rare diseases. On March 26, 2018, Shire and

NanoMedSyn announced a collaboration to conduct pre-clinical research to evaluate a potential enzyme replacement therapy using NanoMedSyn’s proprietary synthetic derivatives named AMFA. On May 8, 2018, the Boards of Takeda and Shire announced that they had reached agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire. The acquisition is expected to close on or around January 8, 2019. On June 21, 2018, Shire announced that the FDA had approved its submission for the production of GAMMAGARD LIQUID at its new plasma manufacturing facility near Covington, Georgia. The facility will add approximately 30% capacity to Shire’s internal network once fully operational. Commercial production began in January 2018 and shipments commenced shortly after approval. On August 31, 2018, Shire sold its oncology franchise to Servier for \$2.4 billion. In September 2018, Shire acquired Sanaplasma AG, a source plasma collection company headquartered in Switzerland. Sanaplasma AG adds 21 new centers in Europe to Shire’s European-based plasma collection network. On October 25, 2018, Shire announced it had filed a second submission to the FDA for approval to manufacture albumin therapy at its new plasma manufacturing facility near Covington, Georgia. On October 26, 2018, Takeda announced that it was in discussions with the European Commission, the EU antitrust regulator, in relation to the future potential overlap in the area of IBD between its marketed product ENTYVIO and Shire’s pipeline compound SHP647, which is currently in Phase III clinical trials, and that it had proposed an antitrust remedy of a potential divestment of SHP647 and certain associated rights. On November 20, 2018, the European Commission granted a Phase I conditional clearance for the Shire Acquisition, subject to Takeda and Shire entering into commitments to divest SHP647 and certain other associated rights.

In 2017, Shire derived 34% of Product sales from outside of the U.S. Shire has ongoing commercialization and late-stage development activities, which are expected to further supplement the diversification of revenues in the future, including the following:

- the launch of MYDAYIS in the U.S.;
- continued launch of INTUNIV, REVESTIVE and ONIVYDE (sold to Servier as part of the oncology franchise) across Europe;
- the approvals of NATPAR and ADYNOVI in the EU;
- the approval of TAKHZYRO in the U.S. and recent approvals in the EU and Canada;
- submission of CALPEG NDA for ALL in the U.S. (sold to Servier as part of the oncology franchise);
- the approval of VONVENDI Marketing Authorization Application (“MAA”) in Europe; and
- geographic expansion of XIIDRA with the recent approval in Canada and submissions in other key markets.

Geographic Information

Shire’s revenues based on the geographic location from which the sale originated for the fiscal years ended December 31, 2015, 2016 and 2017 is set forth in the following table:

	<u>For the fiscal year ended December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	(millions of dollars)		
Revenue:			
Ireland	\$ 14.1	\$ 41.6	\$ 55.5
United States	4,659.2	7,666.9	9,642.1
Rest of the world	<u>1,743.4</u>	<u>3,688.1</u>	<u>5,463.0</u>
Total	<u>\$6,416.7</u>	<u>\$11,396.6</u>	<u>\$15,160.6</u>

Shire's R&D

Shire's R&D efforts are focused on core therapeutic areas including Immunology, Hematology, Neuroscience, Internal Medicine, Genetic Diseases, Oncology (prior to the disposition of the Oncology business) and Ophthalmics. Shire concentrates its resources on obtaining regulatory approval for later stage pipeline products within these therapeutic areas and focuses its early stage research activities in rare diseases.

Evidence of the successful progression of the late stage pipeline can be seen in the granting of approval and associated launches of Shire's products over the last three years. In this time, several products have received regulatory approval including: in the U.S., MYDAYIS in 2017, XIIDRA and CUVITRU in 2016, NATPARA and VYVANSE for BED in 2015; in the EU, ONIVYDE (sold to Servier as part of the Oncology franchise) and CUVITRU in 2016, ELVANSE/TYVENSE for adults, INTUNIV for children and adolescents in 2015.

Shire's management reviews direct costs for all research and development projects by development phase.

Shire's R&D expenses in the fiscal years ended December 31, 2016 and 2017 include costs on programs in all stages of development. The following table summarizes the Shire's direct R&D spend categorized by development stage, based upon the development stage of each program for the fiscal years ended December 31, 2016 and 2017:

	For the fiscal year ended December 31,	
	2016	2017
	(millions of dollars)	
Early stage programs	\$325.7	\$ 275.3
Late stage programs	291.1	507.5
Currently marketed products	238.1	275.0
Total	<u>\$854.9</u>	<u>\$1,057.8</u>

Early stage programs also include pre-clinical and research programs. In addition to the above, Shire recorded R&D employee costs of \$506.9 million in the fiscal year ended December 31, 2017 (fiscal year ended December 31, 2016: \$431.9 million) and other indirect R&D costs of \$198.6 million (2016: \$153.0 million), comprising mainly of depreciation and up-front and milestone payments for in-licensed development projects.

Shire's Results of Operations for the Nine Months Ended September 30, 2018 and 2017

In the first quarter of 2018, Shire announced a change to its internal structure to create two distinct business segments within Shire: a Rare Disease division and a Neuroscience division. The change was based on the Shire Board's conclusion that the Neuroscience business warranted additional focus and investment and that there was a strong business rationale for creating the two divisions.

In the second quarter of 2018, Shire returned to a single segment approach to managing its business. This decision was precipitated by the Shire Board's acceptance of Takeda's offer to acquire Shire and reflects Shire's focus on the performance of the entire business as it operates in this current environment. This step was taken to more closely align with how the financial information is viewed by the Executive Committee (Shire's chief operating decision maker) for the purposes of making resource allocation decisions and assessing the performance of the business. Additionally, in the second quarter of 2018, Shire introduced a new product franchise called Established Brands to capture revenue for its non-promoted products that are facing or could face generic competition, such as LIALDA and PENTASA. Comparative financial information for 2017 was retrospectively restated herein.

In the nine months ended September 30, 2018, product sales increased 6% to \$11,198.5 million (2017: \$10,537.9 million), driven by Immunology, up 11%, Neuroscience, up 10%, Genetic Diseases, up 4%, Internal Medicine, up 35%, and Ophthalmics, up 48%, off-setting the impact of generic competition on Established Brands.

The following table provides an analysis of Shire's total revenues by source for the nine months ended September 30, 2017 and 2018. In 2018, Immunology includes HAE from Genetic Diseases; prior year amounts have been reclassified to conform with the current year presentation.

	Nine months ended September 30,		Product sales growth
	2017	2018	
	(millions of dollars, except percentages)		
Product sales by franchise			
IMMUNOGLOBULIN THERAPIES	\$ 1,613.9	\$ 1,825.9	13%
HEREDITARY ANGIOEDEMA	968.4	1,063.0	10%
BIO THERAPEUTICS	546.7	583.7	7%
Immunology	<u>3,129.0</u>	<u>3,472.6</u>	11%
HEMOPHILIA	2,119.6	2,225.4	5%
INHIBITOR THERAPIES	631.9	583.2	(8)%
Hematology	<u>2,751.5</u>	<u>2,808.6</u>	2%
VYVANSE	1,620.3	1,779.8	10%
ADDERALL XR	242.3	232.1	(4)%
MYDAYIS	25.9	40.4	N/M ⁽²⁾
Other Neuroscience ⁽¹⁾	91.3	117.8	29%
Neuroscience	<u>1,979.8</u>	<u>2,170.1</u>	10%
ELAPRASE	454.5	465.5	2%
REPLAGAL	349.0	372.8	7%
VPRIV	257.3	267.3	4%
Genetic Diseases	<u>1,060.8</u>	<u>1,105.6</u>	4%
LIALDA/MEZAVANT	469.6	287.0	(39)%
PENTASA	224.5	215.6	(4)%
Other Established Brands ⁽³⁾	122.3	105.9	(13)%
Established Brands	816.4	608.5	(25)%
GATTEX/REVESTIVE	229.2	326.8	43%
NATPARA/NATPAR	103.3	160.8	56%
Other Internal Medicine ⁽⁴⁾	105.2	101.3	(4)%
Internal Medicine	437.7	588.9	35%
Ophthalmics	173.4	255.8	48%
Oncology⁽⁵⁾	189.3	188.4	N/M ⁽²⁾
Total Product sales	<u>10,537.9</u>	<u>11,198.5</u>	6%
Royalties and other revenues			
Royalties	329.7	175.4	(47)%
Other revenues	148.1	183.0	24%
Total royalties and other revenues	<u>477.8</u>	<u>358.4</u>	(25)%
Total revenues	<u>\$11,015.7</u>	<u>\$11,556.9</u>	5%

Notes:

(1) Other Neuroscience includes INTUNIV, EQUASYM, and BUCCOLAM.

- (2) N/M: Product sales growth as a percentage is not meaningful due to the sale of the franchise during the quarter or due to product being launched during period.
- (3) Other Established Brands includes FOSRENOL and CARBATROL.
- (4) Other Internal Medicine includes AGRYLIN, PLENADREN, and RESOLOR.
- (5) Results include the Oncology franchise until the date of its sale on August 31, 2018.

Immunology

Immunology product sales were \$3,472.6 million in the nine months ended September 30, 2018. Immunoglobulin therapies growth of 13% in the nine months ended September 30, 2018 was primarily driven by increased demand for subcutaneous and intravenous brands and international sales growth. HAE product sales increased 10% during the nine months ended September 30, 2018, primarily due to stocking for both CINRYZE and FIRAZYR, and partially offset by a decline in CINRYZE demand due to a competitor launch, compared to the corresponding period in 2017. HAE product sales during the nine months ended September 30, 2018 also included \$51.3 million of TAKHZYRO product sales for initial launch stocking. Bio therapeutics sales increased 7% in the nine months ended September 30, 2018 driven by volume demand.

Hematology

Hematology product sales were \$2,808.6 million in the nine months ended September 30, 2018. Hemophilia sales increased 5% in the nine months ended September 30, 2018, driven by volume demand, primarily related to ADYNOVATE. Sales of inhibitor therapies decreased 8% in the nine months ended September 30, 2018 due to new competition.

Neuroscience

Neuroscience product sales were \$2,170.1 million in the nine months ended September 30, 2018. VYVANSE product sales increased 10% in the nine months ended September 30, 2018, due to a U.S. price increase and continued growth in Shire's international markets.

Genetic Diseases

Genetic Diseases product sales were \$1,105.6 million in the nine months ended September 30, 2018. Genetic Diseases product sales increased 4% during the nine months ended September 30, 2018, primarily driven by stocking and favorable foreign exchange, compared to the corresponding period in 2017.

Established Brands

Established Brands product sales were \$608.5 million in the nine months ended September 30, 2018. LIALDA/MEZAVANT product sales decreased 39% during the nine months ended September 30, 2018 was due to generic competition which began in the second half of 2017.

Internal Medicine

Internal Medicine product sales were \$588.9 million in the nine months ended September 30, 2018. During the nine months ended September 30, 2018, GATTEX/REVESTIVE product sales increased 43% and NATPARA/NATPAR product sales increased 56%, driven by demand growth, and to a lesser extent, the benefit of price increases, compared to the corresponding period in 2017.

Ophthalmics

Ophthalmics product sales increased 48% to \$255.8 million during the nine months ended September 30, 2018 due to XIIDRA demand growth.

Oncology

As a result of the sale of Shire's Oncology franchise, completed on August 31, 2018, Oncology product sales decreased to \$188.4 million (2017: \$189.3 million) in the nine months ended September 30, 2018.

Royalties and other revenues

Royalties and other revenues decreased 25% during the nine months ended September 30, 2018 compared to the corresponding period in 2017, primarily due to certain royalty expirations, the reclassification of ADDERALL XR from royalty revenue to product sales, and other changes required under the new revenue accounting standard.

Cost of sales

Cost of sales as a percentage of Total revenues decreased from 31% to 29% for the nine months ended September 30, 2018 compared to the corresponding period in 2017, due to lower expense related to the unwind of inventory fair value adjustments. For the nine months ended September 30, 2018, Cost of sales included depreciation of \$228.2 million, respectively (2017: \$209.2 million).

R&D

In the nine months ended September 30, 2018, Research and development expenses decreased by \$84.5 million, or down 6%, compared to the corresponding period in 2017. The decrease during the nine months ended September 30, 2018 was primarily due to significant milestone and upfront payments associated with license arrangements incurred in 2017 that did not recur in 2018. For the nine months ended September 30, 2018, Research and development expenses included depreciation of \$31.3 million (2017: \$37.0 million).

SG&A

In the nine months ended September 30, 2018, Selling, general and administrative expenses decreased by \$98.4 million compared to the corresponding period in 2017, primarily due to the benefits of on-going cost discipline and operating synergies partially offset by increased depreciation. For the nine months ended September 30, 2018, Selling, general and administrative expenses included depreciation of \$173.3 million (2017: \$117.3 million).

Amortization of acquired intangible assets

For the nine months ended September 30, 2018, Shire recorded Amortization of acquired Intangible assets of \$1,375.3 million compared to \$1,280.5 million in the corresponding period in 2017. The increase for the nine months ended September 2018 is primarily related to the acceleration of CINRYZE amortization and launch of TAKHZYRO, offset by the sale of the Oncology franchise.

Integration and acquisition costs

In the nine months ended September 30, 2018, Shire recorded Integration and acquisition costs of \$512.0 million compared to \$696.7 million in the corresponding period in 2017. These costs relate to the continued integration of Baxalta, which was acquired in June 2016, Takeda's proposed acquisition of Shire, and the change in fair value of contingent consideration, primarily related to TAKHZYRO, which was acquired from Dyax in 2016.

The costs associated with the integration of Baxalta include \$151.4 million of asset impairments, \$55.5 million of third-party professional fees, \$19.2 million of expenses associated with facility consolidations, and

\$20.7 million of employee severance and acceleration of stock compensation for the nine months ended September 30, 2018. Shire expects the majority of these expenses, except for certain costs related to facility consolidations, to be paid within 12 months from the date the related expenses were incurred. The integration of Baxalta is estimated to be completed by mid to late 2019.

The costs associated with Takeda's proposed acquisition include \$72.0 million of third-party professional fees and \$40.4 million of employee incentives for the nine months ended September 30, 2018. Shire expects the majority of these expenses to be paid within 12 months from the date the related expenses were incurred.

In the nine months ended September 30, 2018, \$100.4 million are included in the Integration and acquisition costs relating to the change in fair value of contingent consideration payable mainly related to TAKHZYRO.

In the nine months ended September 30, 2017, Integration and acquisition costs included a charge of \$144.3 million relating to the change in fair value of contingent consideration payable. The Baxalta Integration and acquisition costs include \$177.4 million of employee severance and acceleration of stock compensation, \$114.0 million of third-party professional fees and \$71.4 million of expenses associated with facility consolidations and \$147.8 million of asset impairments for the nine months ended September 30, 2017.

Reorganization costs

For the nine months ended September 30, 2018, Shire recorded Reorganization costs of \$268.9 million, primarily related to expenses associated with certain office facility closures in Cambridge, MA. For the nine months ended September 30, 2017, Shire recorded Reorganization costs of \$24.5 million, primarily related to office and manufacturing facility closures.

Other expense, net

For the nine months ended September 30, 2018, Shire recorded total other expense, net of \$417.2 million compared to \$412.9 million in the corresponding period in 2017. Other expense, net increased primarily due to costs related to the cash tender offer for the repurchase of \$2.3 billion of Shire's outstanding senior notes.

Taxation

For the nine months ended September 30, 2018, the effective tax rate on income from continuing operations was 18% (2017: 4%).

The effective tax rate for the nine months ended September 30, 2018 has been affected by certain provisions of the U.S. Tax Cuts and Jobs Act (Tax Act) passed in December 2017, which reduces the U.S. federal corporate income tax rate from 35% to 21% along with anti-deferral provisions related to non-U.S. operations, new limitations on certain deductions required under the Tax Act, and reductions in the quantum of and tax benefit associated with U.S. integration costs over the prior year.

Shire continued to assess the financial statement impact of the applicable provisions of the Tax Act upon enactment during the nine months ended September 30, 2018 and based on these assessments, income tax expense increased by \$37.9 million during this period. The increase in tax expense recorded during the nine months ended September 30, 2018 was due to i) an adjustment to the U.S. deferred tax balances recorded as of December 31, 2017 related to the corporate income tax rate reduction of a \$7.1 million tax benefit; and ii) an increase to income tax expense of \$45.0 million related to the repatriation toll charge. The change in the toll charge was partially driven by an adjustment of \$31.0 million related to the tax rates applied to certain drivers of the provisional repatriation toll charge in 2017, as well as the finalization of inputs to the calculation of the

repatriation toll charge and the refinement of Shire's computation for the various guidance and regulations issued during 2018. The changes to its original tax reform impacts increased the effective tax rate for the nine months ended September 30, 2018 by 2%.

It is expected that additional interpretive guidance will be issued during the measurement period that may change how Shire has computed the provisional amounts for the year ended December 31, 2017. Shire will continue to assess the impact of the Tax Act during the measurement period and will record any adjustments to its provisional estimates as needed during the remainder of the measurement period and continues to assert that all amounts recorded and disclosed to date remain provisional.

The effective tax rate for the nine months ended September 30, 2017 was affected by the combined impact of the relative quantum of the profit before tax for the period by jurisdiction as well as significant acquisition and integration costs. Additionally, certain discrete tax adjustments were recorded during the year, which contributed to the low effective rate, including a tax benefit associated with the filing of the US tax returns and reversal of prior period income tax reserves.

Shire's Results of Operations for the Fiscal Years Ended December 31, 2017 and 2016

Shire's product sales increased 33% to \$14,448.9 million, primarily driven by the inclusion of a full year of legacy Baxalta product sales, with strong sales from immunoglobulin therapies and bio therapeutics. Shire's royalties and other revenues increased 39% to \$711.7 million (2016: \$510.8 million), primarily due to the receipt of an upfront license fee and a full year of contract manufacturing revenue acquired with Baxalta.

The following table provides an analysis of Shire's total revenues by source for 2016 and 2017. In 2017, Immunology includes HAE from Genetic Diseases; prior year amounts have been reclassified to conform with the current year presentation.

	Years ended December 31,		Product sales growth
	2016	2017	
	(millions of dollars, except percentages)		
Product sales by franchise			
IMMUNOGLOBULIN THERAPIES	\$ 1,143.9	\$ 2,236.6	N/M
HEREDITARY ANGIOEDEMA	1,310.9	1,429.6	9%
BIO THERAPEUTICS	372.2	704.1	N/M
Immunology	2,827.0	4,370.3	N/M
HEMOPHILIA	1,789.0	2,957.3	N/M
INHIBITOR THERAPIES	451.8	828.3	N/M
Hematology ⁽²⁾	2,240.8	3,785.6	N/M
VYVANSE	2,013.9	2,161.1	7%
ADDERALL XR	363.8	348.0	(4)%
MYDAYIS	—	21.6	N/M
Other Neuroscience	112.8	133.4	18%
Neuroscience	2,490.5	2,664.1	7%
LIALDA/MEZAVANT	792.1	569.4	(28)%
GATTEX/REVESTIVE	219.4	335.5	53%
PENTASA	309.4	313.2	1%
NATPARA/NATPAR	85.3	147.4	73%
Other Internal Medicine	349.3	304.8	(13)%
Internal Medicine	1,755.5	1,670.3	(5)%
ELAPRASE	589.0	615.7	5%
REPLAGAL	452.4	472.1	4%

	<u>Years ended December 31,</u>		<u>Product sales growth</u>
	<u>2016</u>	<u>2017</u>	
	(millions of dollars, except percentages)		
VPRIV	345.7	349.9	1%
Genetic Diseases	<u>1,387.1</u>	<u>1,437.7</u>	<u>4%</u>
Oncology ⁽³⁾	130.5	261.7	N/M
Ophthalmics	<u>54.4</u>	<u>259.2</u>	<u>N/M</u>
Total Product sales	<u>10,885.8</u>	<u>14,448.9</u>	<u>33%</u>
Royalties and other revenues			
Royalties	382.6	448.4	17%
Other revenues	<u>128.2</u>	<u>263.3</u>	<u>105%</u>
Total royalties and other revenues	<u>510.8</u>	<u>711.7</u>	<u>39%</u>
Total revenues	<u>\$11,396.6</u>	<u>\$15,160.6</u>	<u>33%</u>

Notes:

- (1) N/M: Consolidated results include Baxalta sales as of June 3, 2016, the date of acquisition, or partial year product launches; therefore, Product sales growth as a percentage is not meaningful.
- (2) Sales for ADVATE and ADYNOVATE for the fiscal year ended December 31, 2017 were \$2.4 billion.
- (3) On August 31, 2018, Shire sold its oncology franchise to Servier for \$2.4 billion.

Immunology

Immunology product sales, which now include HAE product sales, were \$4,370.3 million in 2017 compared to \$2,827.0 million in 2016, primarily driven by the inclusion of a full year of immunoglobulin therapies and bio therapeutics product sales following the acquisition of Baxalta in June 2016. Immunoglobulin and bio therapeutics reported total product sales of \$2,940.7 million. HAE product sales for the year ended December 31, 2017 increased to \$1,429.6 million or 9% from \$1,310.9 million in 2016, primarily driven by FIRAZYR, up 15% to \$663.0 million and CINRYZE up 3% to \$699.3 million. During the third quarter of 2017, CINRYZE had a supply constraint caused by a manufacturing interruption at a third-party supplier. The issue was addressed and production resumed in the fourth quarter of 2017. On January 24, 2018, FDA granted approval for the technology transfer of CINRYZE drug product manufacturing process to the Vienna, Austria manufacturing site.

Hematology

Hematology, acquired with Baxalta in June 2016, included sales of recombinant and plasma-derived hemophilia products (primarily Factor VIII and Factor IX) and inhibitor therapies. Hematology product sales were \$3,785.6 million in 2017 compared to \$2,240.8 million in 2016, primarily driven by the inclusion of a full year of Hematology product sales following the acquisition of Baxalta.

Neuroscience

Neuroscience product sales for the year ended December 31, 2017 increased to \$2,664.1 million, or 7%, from \$2,490.5 million in 2016, with growth primarily driven by VYVANSE and the inclusion of MYDAYIS. VYVANSE product sales for the year ended December 31, 2017 increased to \$2,161.1 million, or 7%, from \$2,013.9 million in 2016, due to the benefit of a price increase⁽¹⁾ taken since 2016, increased demand resulting from growth in the U.S. ADHD market and strong performance in Shire's international markets, partially offset by lower U.S. stocking. MYDAYIS, which was made available to patients on August 28, 2017, contributed \$21.6 million of product sales in 2017.

Information about litigation related to MYDAYIS can be found in Note 25 to Shire's consolidated financial statements contained in this registration statement.

- (1) The actual net effect of price increases on current period net sales compared to the comparative period is difficult to quantify due to the various managed care rebates, Medicaid discounts, other discount programs in which the Company participates and fee for service agreements with wholesale customers.

Internal Medicine

Internal Medicine product sales for the year ended December 31, 2017 decreased to \$1,670.3 million, or 5%, from \$1,755.5 million in 2016, primarily driven by the impact of LIALDA generic competition, partially offset by growth from GATTEX/REVESTIVE and NATPARA. LIALDA/MEZAVANT product sales decreased to \$569.4 million, or 28%, for the year ended December 31, 2017 from \$792.1 million in 2016, due to the impact of generic competition in 2017. Information about litigation related to LIALDA can be found in Note 25 to Shire's consolidated financial statements contained in this registration statement.

GATTEX/REVESTIVE and NATPARA/NATPAR product sales increased to \$335.5 million, or 53%, and \$147.4 million or 73%, respectively, for 2017, compared to product sales in 2016 primarily due to an increase in the numbers of patients on therapy and to a lesser extent, the benefit of price increases taken since 2016.⁽¹⁾

- (1) The actual net effect of price increases on current period net sales compared to the comparative period is difficult to quantify due to the various managed care rebates, Medicaid discounts, other discount programs in which the Company participates and fee for service agreements with wholesale customers.

Genetic Diseases

Genetic Diseases product sales, which now excludes HAE product sales, for the year ended December 31, 2017 increased to \$1,437.7 million, or 4%, from \$1,387.1 million in 2016, primarily due to ELAPRASE and REPLAGAL, as both products benefited from an increase in the number of patients on therapy.

Oncology

Oncology, acquired with Baxalta in June 2016, reported product sales of \$261.7 million for the year ended December 31, 2017 compared to \$130.5 million for the year ended December 31, 2016. Oncology includes sales of ONCASPAR and ONIVYDE. ONIVYDE was approved in the EU on October 18, 2016. As Shire sold its oncology franchise to Servier on August 31, 2018, these products are no longer included in its business following such sale.

Ophthalmics

Ophthalmic product sales relate to XIIDRA, which was made available to patients on August 29, 2016. XIIDRA product sales were \$259.2 million for the year ended December 31, 2017 compared to \$54.4 million for the year ended December 31, 2016.

Cost of sales

Cost of sales increased by \$884.3 million to \$4,700.8 million for the year ended December 31, 2017 (31% of Total revenues) from \$3,816.5 million in 2016 (33% of Total revenues), due to the inclusion of a full year of legacy Baxalta costs. The decrease in cost of sales as a percentage of Total revenues for the year ended December 31, 2016 to December 31, 2017 is primarily due to the impact of lower expense related to the unwind of inventory fair value adjustments, partially offset by the inclusion of a full year of lower margin product

franchises acquired with Baxalta. For the year ended December 31, 2017, cost of product sales included additional depreciation totaling \$276.1 million (2016: \$160.8 million), primarily due to the acquisition of Baxalta.

R&D

R&D expense increased by \$323.5 million, or 22%, to \$1,763.3 million for the year ended December 31, 2017 (12% of Total revenues) from \$1,439.8 million in 2016 (13% of Total revenues), primarily due to the inclusion of a full year of legacy Baxalta costs. R&D expense for the year ended December 31, 2017 included depreciation of \$47.2 million (2016: \$34.1 million).

SG&A

SG&A expense increased by \$515.7 million, or 17%, to \$3,530.9 million for the year ended December 31, 2017 (23% of Total revenues) from \$3,015.2 million in 2016 (26% of Total revenues), primarily due to the inclusion of a full year of legacy Baxalta costs. For the year ended December 31, 2017, SG&A expense included depreciation of \$172.5 million.

Amortization of acquired intangible assets

For the year ended December 31, 2017, Shire recorded amortization of acquired intangible assets of \$1,768.4 million compared to \$1,173.4 million in 2016. The increase of \$595.0 million was primarily related to a full year of amortization of intangible assets acquired with Baxalta and the acceleration of CINRYZE amortization following positive TAKHZYRO Phase 3 results.

Integration and acquisition costs

For the year ended December 31, 2017, Shire recorded integration and acquisition costs of \$894.5 million, primarily relating to the Baxalta acquisition. Costs included asset impairment charges, employee severance and expenses associated with facility consolidations. For the year ended December 31, 2016, Shire recorded integration and acquisition costs of \$883.9 million, primarily relating to the Baxalta and Dyax acquisitions. Costs included employee severance, acceleration of stock compensation, third-party professional fees, contract terminations and other transaction-related fees.

Reorganization costs

For the year ended December 31, 2017, Shire recorded reorganization costs of \$47.9 million, primarily related to the closure of the Basingstoke, U.K. office. For the year ended December 31, 2016, Shire recorded reorganization costs of \$121.4 million, primarily related to the closure of a facility at the Los Angeles, U.S. manufacturing site.

Other expense, net

Other expense, net increased by \$85.0 million to \$561.8 million for the year ended December 31, 2017 from \$476.8 million in 2016, primarily due to a full year of interest expense incurred on borrowings used to fund the acquisition of Baxalta, reduced by repayments of borrowings and partially offset by lower amortization of one-time upfront borrowing costs for Baxalta and Dyax in 2017.

Taxation

The effective tax rate in 2017 was a tax credit of 125% (2016: tax credit of 26%). This was due to the enactment of the U.S. Tax Cuts and Jobs Act (P.L. 115-97) (Tax Act), which was signed into law on

December 22, 2017. Among the changes is a permanent reduction in the federal U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. As a result of the reduction in the U.S. corporate income tax rate, Shire revalued its net deferred tax positions for the year-ending December 31, 2017. This resulted in a decrease to the net deferred tax liability of approximately \$2.5 billion, which was recorded as reduction to income tax expense for the fourth quarter of 2017. In addition, Shire has estimated an income tax liability of \$621.7 million related to the transition tax which is applicable to certain non U.S. earnings previously untaxed in the U.S. Shire recorded a \$90.1 million income tax expense related to the transition tax and reclassified a deferred tax liability which had been accrued for prior years' unremitted earnings to income tax payable for the remaining amount. Shire continues to analyze the Tax Act to determine the full effects the new law will have on its financial statements and all amounts recorded in the 2017 financial statements are provisional in nature.

Discontinued operations

The gain from discontinued operations for the year ended December 31, 2017 was \$18.0 million, net of taxes, primarily the return of funds previously held in escrow related to the acquisition of the DERMAGRAFT business. The loss from discontinued operations for the year ended December 31, 2016 was \$276.1 million, net of tax benefit of \$98.9 million, primarily due to the establishment of legal contingencies related to the divested DERMAGRAFT business.

Shire's Results of Operations for the Fiscal Years Ended December 31, 2016 and 2015

Shire's product sales increased by 78% to \$10,885.8 million. This increase was primarily due to including \$3,887.4 million of Baxalta product sales following the acquisition, and double digit growth of existing franchises, with Neuroscience up 13% and Internal Medicine up 17%. In addition, Shire launched XIIDRA in August 2016 and the Ophthalmology franchise contributed sales of \$54.4 million. Royalties and other revenues increased by 61% to \$510.8 million, as the second half of 2016 benefited from additional revenue following the acquisition of Baxalta, primarily related to contract manufacturing activities.

The following table provides an analysis of Shire's Total revenues by source for the fiscal years ended December 31, 2015 and 2016. In 2017, Immunology includes HAE from Genetic Diseases; prior year amounts have been reclassified to conform with the current year presentation.

	Years ended December 31,		Product sales growth
	2015	2016	
	(millions of dollars, except percentages)		
Product sales by franchise			
IMMUNOGLOBULIN THERAPIES	\$ —	\$ 1,143.9	N/M
HEREDITARY ANGIOEDEMA	1,062.7	1,310.9	23%
BIO THERAPEUTICS	—	372.2	N/M
Immunology	<u>1,062.7</u>	<u>2,827.0</u>	<u>N/M</u>
HEMOPHILIA	—	1,789.0	N/M
INHIBITOR THERAPIES	—	451.8	N/M
Hematology	<u>—</u>	<u>2,240.8</u>	<u>N/M</u>
VYVANSE	1,722.2	2,013.9	17%
ADDERALL XR	362.8	363.8	— %
Other Neuroscience	115.4	112.8	(2)%
Neuroscience	<u>2,200.4</u>	<u>2,490.5</u>	<u>13%</u>
LIALDA/MEZAVANT	684.4	792.1	16%
GATTEX/REVESTIVE	141.7	219.4	55%
PENTASA	305.8	309.4	1%
NATPARA/NATPAR	24.4	85.3	250%

	<u>Years ended December 31,</u>		<u>Product sales growth</u>
	<u>2015</u>	<u>2016</u>	
	(millions of dollars, except percentages)		
Other Internal Medicine	\$ 344.3	\$ 349.3	1%
Internal Medicine	<u>1,500.6</u>	<u>1,755.5</u>	<u>17%</u>
ELAPRASE	552.6	589.0	7%
REPLAGAL	441.2	452.4	3%
VPRIV	<u>342.4</u>	<u>345.7</u>	<u>1%</u>
Genetic Diseases	<u>1,336.2</u>	<u>1,387.1</u>	<u>4%</u>
Oncology ⁽²⁾	—	130.5	N/M
Ophthalmics	—	54.4	N/M
Total Product sales	<u>6,099.9</u>	<u>10,885.8</u>	<u>78%</u>
Royalties and other revenues			
Royalties	300.5	382.6	27%
Other revenues	<u>16.3</u>	<u>128.2</u>	<u>687%</u>
Total royalties and other revenues	<u>316.8</u>	<u>510.8</u>	<u>61%</u>
Total revenues	<u>\$6,416.7</u>	<u>\$11,396.6</u>	<u>78%</u>

Notes:

- (1) N/M: Consolidated results include Baxalta sales as of June 3, 2016, the date of acquisition, or partial year product launches; therefore, Product sales growth as a percentage is not meaningful.
- (2) On August 31, 2018, Shire sold its oncology franchise to Servier for \$2.4 billion.

Immunology

Immunology product sales, which now include HAE product sales, were \$2,827.0 million in 2016 compared to \$1,062.7 million in 2015. Immunoglobulin therapies and bio therapeutics, acquired with Baxalta in June 2016, reported total product sales of \$1,516.1 million. HAE product sales for the year ended December 31, 2016 increased to \$1,310.9 million or 23% from \$1,062.7 million in 2015, primarily driven by increased demand for FIRAZYR and CINRYZE. FIRAZYR product sales for the year ended December 31, 2016 increased to \$578.5 million or 30% from \$445.0 million in 2015, primarily due to an increase in the number of patients on therapy in both the U.S. and international markets. CINRYZE product sales for the year ended December 31, 2016 increased to \$680.2 million or 10% from \$617.7 million in 2015, as an increase in the number of patients on therapy was partially offset by reduced utilization as a result of a U.S. supply constraint during the second half of the year.

Hematology

Hematology, acquired with Baxalta in June 2016, included sales of recombinant and plasma-derived hemophilia products (primarily Factor VIII and Factor IX) and inhibitor therapies. Product sales for the year ended December 31, 2016 were \$2,240.8 million.

Neuroscience

Neuroscience product sales for the year ended December 31, 2016 increased to \$2,490.5 million, or 13%, from \$2,200.4 million in 2015, with growth primarily driven by VYVANSE. VYVANSE product sales for the year ended December 31, 2016 increased to \$2,013.9 million, or 17%, from \$1,722.2 million in 2015, due to prescription growth in the U.S. adult market, which includes ADHD and BED, and the benefit of price increases⁽¹⁾ taken since 2015 and growth in Shire's international markets.

- (1) The actual net effect of price increases on current period net sales compared to the comparative period is difficult to quantify due to the various managed care rebates, Medicaid discounts, other discount programs in which the Company participates and fee for service agreements with wholesale customers.

Internal Medicine

Internal Medicine product sales for the year ended December 31, 2016 increased to \$1,755.5 million, or 17%, from \$1,500.6 million in 2015, primarily driven by sales growth from LIALDA/MEZAVANT, GATTEX/REVESTIVE and NATPARA. LIALDA/MEZAVANT product sales increased to \$792.1 million or 16% for the year ended December 31, 2016 from \$684.4 million in 2015, primarily due to an increase in prescription demand, resulting in a U.S. market share of 40% at the end of 2016 (compared to 36% in 2015). GATTEX/REVESTIVE and NATPARA product sales increased to \$219.4 million or 55% and \$85.3 million or 250%, respectively, for 2016, compared to product sales in 2015 primarily due to an increase in the numbers of patients on therapy.

Genetic Diseases

Genetic Diseases product sales, which now excludes HAE product sales, for the year ended December 31, 2016 increased to \$1,387.1 million or 4% from \$1,336.2 million in 2015, primarily driven by an increase in the number of patients on therapy for ELAPRASE and REPLAGAL. ELAPRASE product sales for the year ended December 31, 2016 increased to \$589.0 million, or 7%, from \$552.6 million in 2015, primarily due to an increase in the number of patients on therapy and partially offset by the impact of foreign exchange.

Oncology

Oncology, acquired with Baxalta in June 2016, reported product sales of \$130.5 million. Oncology includes sales of ONCASPAR and ONIVYDE. ONIVYDE was approved in the EU on October 18, 2016. As Shire sold its oncology franchise to Servier on August 31, 2018, these products are no longer included in its business following such sale.

Ophthalmics

Ophthalmic product sales relate to XIIDRA, which was made available to patients on August 29, 2016. XIIDRA product sales were \$54.4 million for the year ended December 31, 2016.

Royalties and other revenues

Royalties and other revenues increased to \$510.8 million or 61% for the year ended December 31, 2016 from \$316.8 million in 2015, primarily due to \$99.0 million of contract manufacturing revenue from the acquisition of Baxalta.

Cost of product sales

Cost of product sales increased by \$2,847.5 million, or 294%, to \$3,816.5 million for the year ended December 31, 2016 (33% of Total revenues) from \$969.0 million in 2015 (15% of Total revenues), primarily due to the impact of the unwind of inventory fair value adjustments in 2016 following the acquisitions of Baxalta and Dyax and, to a lesser extent, the impact of lower margin product franchises acquired with Baxalta. Cost of product sales included \$1,118.0 million and \$31.1 million of amortization of inventory fair value adjustments in 2016 and 2015, respectively. For the year ended December 31, 2016, Cost of product sales included depreciation totaling \$160.8 million. Depreciation increased primarily due to the acquisition of Baxalta.

R&D

R&D expense decreased by \$124.2 million, or 8%, to \$1,439.8 million for the year ended December 31, 2016 (13% of Total revenues) from \$1,564.0 million in 2015 (24% of Total revenues), primarily due to lower

in-process research and development (“IPR&D”) impairment charges in 2016 more than offset the increase in costs related to Baxalta and Dyax and costs related to licensing SHP647. R&D expense in 2015 included impairment charges of \$467.0 million related to the SHP625 IPR&D intangible asset, due to a lower probability of regulatory approval following trial results and revised commercial potential, and \$176.7 million related to the SHP608 IPR&D intangible asset, following preclinical toxicity findings. No significant impairment charges occurred in 2016. R&D expense for the year ended December 31, 2016 included depreciation of \$34.1 million.

SG&A

SG&A expense increased by \$1,172.7 million, or 64%, to \$3,015.2 million for the year ended December 31, 2016 (26% of Total revenues) from \$1,842.5 million in 2015 (29% of Total revenues), primarily due to the inclusion of Baxalta related costs and XIIDRA launch and promotional costs. For the year ended December 31, 2016, SG&A expense included depreciation of \$98.0 million.

Amortization of acquired intangible assets

For the year ended December 31, 2016, Shire recorded amortization of acquired intangible assets of \$1,173.4 million compared to \$498.7 million in 2015. The increase of \$674.7 million was primarily related to amortization on the intangible assets acquired with the Baxalta and Dyax transactions.

Integration and acquisition costs

For the year ended December 31, 2016, Shire recorded integration and acquisition costs of \$883.9 million, primarily related to the Baxalta and Dyax transactions, which included severance and employee termination benefits. In 2015, Shire recorded integration and acquisition costs of \$39.8 million, representing acquisition and integration costs of \$189.7 million, primarily related to NPS, ViroPharma, Baxalta and Dyax. These costs were offset by a net credit of \$149.9 million from the change in fair value of contingent consideration, primarily relating to SHP625 and SHP608.

Reorganization costs

For the year ended December 31, 2016, Shire recorded reorganization costs of \$121.4 million primarily related to the planned closure of a facility at the Los Angeles manufacturing site acquired with Baxalta in June 2016. Reorganization costs of \$97.9 million for the year ended December 31, 2015, primarily related to the relocation of roles from Pennsylvania to Massachusetts.

Other expense, net

Other expense, net increased by \$443.1 million to \$476.8 million for the year ended December 31, 2016 from \$33.7 million in 2015, primarily due to higher interest expense and amortization of one-time borrowing costs, including the write off of certain financing costs related to the bridge facility for the acquisition of Baxalta. During the third quarter of 2016, the bridge facility was fully repaid with the proceeds from the \$12.1 billion public debt offering.

Taxation

The effective tax rate on income from continuing operations for the year ended December 31, 2016 was a benefit of 26%. The effective tax rate on income from continuing operations in 2016 was lower primarily due to the combined impact of the relative quantum of the profit before tax for the period by jurisdiction and the reversal of deferred tax liabilities (including in higher tax territories) from the Baxalta acquisition, inventory and intangible asset amortization, as well as acquisition and integration costs.

Discontinued operations

The loss from discontinued operations for the year ended December 31, 2016 was \$276.1 million, net of tax benefit of \$98.8 million, primarily related to legal contingencies established in the second quarter of 2016, related to the divested DERMAGRAFT business. The loss from discontinued operations for the year ended December 31, 2015 was \$34.1 million, net of tax, primarily related to a change in estimate for abandoned facilities charges.

Liquidity and Capital Resources

Shire's funding requirements depend on a number of factors, including the timing and extent of its development programs, corporate, business and product acquisitions, the level of resources required for the expansion of certain manufacturing and marketing capabilities as the product base expands, increases in accounts receivable and inventory which may arise with any increase in Product sales, competitive and technological developments, the timing and cost of obtaining required regulatory approvals for new products, the timing and quantum of milestone payments on business combinations, in-licenses and collaborative projects, the timing and quantum of tax and dividend payments, the timing and quantum of purchases by the Employee Benefit Trust ("EBT") of Shire shares in the market to satisfy awards granted under Shire's employee share plans, the timing and qualification of its refinancing obligations and the amount of cash generated from sales of Shire's products and royalty receipts.

An important part of Shire's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. Shire intends to defend its intellectual property and as a result may need cash for funding the cost of litigation.

Shire finances its activities through cash generated from operating activities, credit facilities, private and public offerings of equity and debt securities and the proceeds of asset or investment disposals. Shire's consolidated balance sheets included \$193.2 million of cash and cash equivalents as of September 30, 2018.

Shire has a revolving credit facility (RCF) of \$2.1 billion which matures in 2021, \$915.0 million of which was utilized as of September 30, 2018. The RCF incorporates a \$250 million U.S. dollar and Euro swingline facility operating as a sub-limit thereof. In connection with the acquisition of Dyax, Shire entered into a \$5.6 billion amortizing term loan facility in November 2015. As of September 30, 2018, there was no outstanding balance under this term loan facility as it was fully repaid and canceled on September 28, 2018. In connection with the acquisition of Baxalta, Shire assumed \$5.0 billion of unsecured senior notes previously issued by Baxalta Incorporated. As of September 30, 2018, a total of \$1.9 billion unsecured senior notes are outstanding, following repayment of the \$375.0 million floating-rate notes and the \$375.0 million fixed-rate notes due June 2018 as well as the repurchase of \$2.3 billion of the notes in the third quarter of 2018. In addition, in connection with the acquisition of Baxalta, Shire issued \$12.1 billion of unsecured senior notes in September 2016, of which \$3.3 billion is due within the next twelve months.

The details of these debt agreements are described below and in Note 17, "Borrowings and Capital Leases," to Shire's unaudited consolidated financial statements contained in this registration statement.

In addition, Shire also has access to certain short-term uncommitted lines of credit which are available to utilize from time to time to provide short-term cash management flexibility. As of September 30, 2018, these lines of credit were not utilized. Shire may also engage in financing activities from time to time, including accessing the debt or equity capital markets.

SAIIDAC Notes

On September 23, 2016, Shire Acquisitions Investments Ireland Designated Activity Company ("SAIIDAC"), a wholly-owned subsidiary of Shire, issued senior notes with a total aggregate principal value of

\$12.1 billion (“SAIIDAC Notes”), guaranteed by Shire plc and by Baxalta Incorporated. SAIIDAC used the net proceeds to fully repay amounts outstanding under the January 2016 Facilities Agreement (discussed below), which was used to finance the cash consideration payable related to Shire’s acquisition of Baxalta. Below is a summary of the SAIIDAC Notes as of September 30, 2018:

	<u>Aggregate amount</u>	<u>Coupon rate</u>	<u>Carrying amount as of September 30, 2018</u>
	(millions of dollars, except percentages)		
Fixed-rate notes due 2019	\$ 3,300.0	1.900%	\$ 3,295.3
Fixed-rate notes due 2021	3,300.0	2.400%	3,289.0
Fixed-rate notes due 2023	2,500.0	2.875%	2,490.8
Fixed-rate notes due 2026	3,000.0	3.200%	2,983.8
Total SAIIDAC Notes	\$12,100.0		\$12,058.9

As of September 30, 2018, there were \$41.1 million of debt issuance costs and discounts recorded as a reduction of the carrying amount of debt. These costs will be amortized as additional interest expense using the effective interest rate method over the period from issuance through maturity.

Baxalta Notes

Shire plc guaranteed senior notes issued by Baxalta Incorporated with a total aggregate principal amount of \$5.0 billion in connection with the Baxalta acquisition (“Baxalta Notes”). Following repayment of the \$375.0 million floating-rate notes and the \$375.0 million fixed-rate notes due in June 2018 and the subsequent \$2.3 billion bond tender offer on September 11, 2018, the remaining Baxalta Notes as of September 30, 2018 are shown below:

	<u>Aggregate amount</u>	<u>Coupon rate</u>	<u>Carrying amount as of September 30, 2018</u>
	(millions of dollars, except percentages)		
Fixed-rate notes due 2020	404.5	2.875%	403.0
Fixed-rate notes due 2022	219.4	3.600%	221.9
Fixed-rate notes due 2025	800.5	4.000%	799.7
Fixed-rate notes due 2045	500.4	5.250%	515.3
Total Baxalta Notes	\$1,924.8		\$1,939.9

The book values above include any premiums, discounts and adjustments related to hedging instruments. For further details related to the interest rate derivative contracts, please see Note 16. Financial Instruments, to Shire’s unaudited consolidated financial statements included in this registration statement.

Debt Tender Offer

On September 11, 2018, Shire purchased an aggregate of \$2.3 billion in principal amount of Baxalta Notes from existing holders consisting of its 2.875% Notes due June 2020, 3.600% Notes due June 2022, 4.00% Notes due June 2025 and 5.250% Notes due June 2045 pursuant to a debt tender offer. Shire paid approximately \$2.4 billion, including accrued and unpaid interest and tender premium, to purchase such notes. As a result of the debt tender offer, Shire recognized a loss on extinguishment of debt in the third quarter of 2018 of \$40.6 million, which is included in Other (expense)/income, net within Shire’s unaudited consolidated statements of operations.

Revolving Credit Facilities Agreement

On December 12, 2014, Shire entered into a \$2.1 billion revolving credit facilities agreement with a number of financial institutions. Shire plc and SAIIDAC are able to borrow under the RCF; Shire plc, SAIIDAC

and Baxalta Incorporated are guarantors under the RCF. As of September 30, 2018 Shire utilized \$915.0 million of the RCF. The RCF, which terminates on December 12, 2021, may be applied towards financing the general corporate purposes of Shire. The RCF incorporates a \$250 million U.S. dollar and Euro swingline facility operating as a sub-limit thereof. Interest on any loans made under the RCF is payable on the last day of each interest period, which may be one week or one, two, three or six months at the election of Shire, or as otherwise agreed with the lenders. The interest rate for the RCF is: LIBOR (or, in relation to any revolving loan in Euro, EURIBOR); plus 0.30% per annum subject to change depending upon (i) the prevailing ratio of Net Debt to EBITDA (each as defined in the RCF) in respect of the most recently completed financial year or financial half year and (ii) the occurrence and continuation of an event of default in respect of the financial covenants or the failure to provide a compliance certificate. Shire also will pay (i) a commitment fee equal to 35% of the applicable margin on available commitments under the RCF for the availability period applicable thereto and (ii) a utilization fee equal to (a) 0.10% per year of the aggregate of all outstanding loans up to an aggregate base currency amount equal to \$700.0 million, (b) 0.15% per year of the amount by which the aggregate base currency amount of all outstanding loans exceeds \$700.0 million but is equal to or less than \$1,400.0 million and (c) 0.30% per year of the amount by which the aggregate base currency amount of all outstanding loans exceeds \$1,400.0 million.

The RCF includes customary representations and warranties, covenants and events of default, including requirements that Shire's (i) ratio of Net Debt to EBITDA in respect of the most recently-ended 12-month relevant period (each as defined in the RCF) must not, at any time, exceed 3.5:1 except that, following an acquisition fulfilling certain criteria, Shire may elect to increase this ratio to (a) 5.5:1 for the relevant period in which the acquisition was completed (b) 5.0:1 in respect of the first relevant period following the relevant period in which the acquisition was completed and (c) 4.5:1 in respect of the second relevant period following the relevant period in which the acquisition was completed and (ii) ratio of EBITDA to Net Interest for the most recently-ended 12-month relevant period (each as defined in the RCF) must not be less than 4.0:1. Shire elected to increase the Net Debt to EBITDA ratio in connection with the period ended June 30, 2016, following the completion of the acquisition of Baxalta during the period. The final relevant period ended June 2017.

The RCF restricts, subject to certain exceptions, Shire's ability to incur additional financial indebtedness, grant security over its assets or provide loans/grant credit. Further, any lender may require mandatory prepayment of its participation if there is a change of control of Shire, subject to certain exceptions for schemes of arrangement and analogous schemes.

Events of default under the RCF include, subject to customary grace periods and materiality thresholds: (i) non-payment of any amounts due under the finance documents (as defined in the RCF), (ii) failure to satisfy any financial covenants, (iii) material misrepresentation in any of the finance documents, (iv) failure to pay, or certain other defaults, under other financial indebtedness, (v) certain insolvency events or proceedings, (vi) material adverse changes in the business, operations, assets or financial condition of Shire as a whole, (vii) if it becomes unlawful for Shire (or any successor parent company) or any of their respective subsidiaries that are parties to the RCF to perform their obligations thereunder or (viii) if Shire (or any successor parent company) or any subsidiary thereof which is a party to the RCF repudiates such agreement or other finance document, among others.

Term Loan Facilities Agreement

November 2015 Facilities Agreement

On November 2, 2015, Shire entered into a \$5.6 billion facilities agreement with various financial institutions (November 2015 Facilities Agreement). Shire plc, SAIIDAC and Baxalta Incorporated are guarantors under the November 2015 Facilities Agreement. SAIIDAC is the borrower under the November 2015 Facilities Agreement. The November 2015 Facilities Agreement comprises three credit facilities: (i) a \$1.0 billion term loan facility of which, following the exercise of the one year extension option in the amount of \$400.0 million, \$600.0 million matured and was repaid on November 2, 2016 and \$400.0 million was repaid on July 31, 2017,

(ii) a \$2.2 billion amortizing term loan facility which was fully paid during 2017 and (iii) a \$2.4 billion amortizing term loan facility with ultimate maturity on November 2, 2018. As of September 30, 2018, there were no amounts outstanding under the November 2015 Facilities Agreement as it was fully repaid and cancelled on September 28, 2018.

January 2016 Facilities Agreement

On January 11, 2016, Shire (as original guarantor and original borrower), entered into an \$18.0 billion bridge facilities agreement with various financial institutions (January 2016 Facilities Agreement). The January 2016 Facilities Agreement comprised two credit facilities: (i) a \$13.0 billion term loan facility originally maturing on January 11, 2017 (January 2016 Facility A) and (ii) a \$5.0 billion revolving loan facility originally maturing on January 11, 2017 (January 2016 Facility B). On April 1, 2016, SAIDAC became an additional borrower and additional guarantor under the January 2016 Facilities Agreement. The January 2016 Facility A was fully repaid in September 2016. The January 2016 Facility B was canceled effective on July 11, 2016, in accordance with its terms.

Short-term uncommitted lines of credit (credit lines)

Shire has access to various credit lines from a number of banks which are available to be utilized from time to time to provide short-term cash management flexibility. These credit lines can be withdrawn by the banks at any time. The credit lines are not relied upon for core liquidity. As of September 30, 2018, these credit lines were not utilized.

Financing

Shire anticipates that its operating cash flow together with available cash, cash equivalents, and the RCF will be sufficient to meet its anticipated future operating expenses, capital expenditures, tax and interest payments, lease obligations, debt repayments and milestone payments as they become due over the next twelve months. If Shire decides to acquire other businesses, it expects to fund these acquisitions from cash resources, the RCF and through new borrowings (including issuances of debt securities) or the issuance of new equity, if necessary.

Sources and uses of cash

The following table provides an analysis of Shire's gross and net cash (excluding restricted cash):

	<u>As of December 31,</u>		<u>As of September 30,</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<i>(millions of dollars)</i>		
Cash and cash equivalents	\$ 528.8	\$ 472.4	\$ 193.2
Long term borrowings (excluding capital leases)	(19,552.6)	(16,410.7)	(10,740.7)
Short term borrowings (excluding capital leases)	(3,061.6)	(2,781.2)	(4,239.2)
Capital leases	(353.6)	(349.2)	(366.8)
Total debt	(22,967.8)	(19,541.1)	(15,346.7)

Substantially all of Shire's cash and cash equivalents are held by foreign subsidiaries (i.e. those subsidiaries incorporated outside of Jersey, Channel Islands, the jurisdiction of incorporation of Shire). The amount of cash and cash equivalents held by foreign subsidiaries has not had, and is not expected to have, a material impact on Shire's liquidity and capital resources.

Cash flow activity

Net cash provided by operating activities increased by \$70.4 million, or 3%, to \$2,807.5 million (2017: \$2,737.1 million) during the nine months ended September 30, 2018, primarily due to improvements in working capital offset by decrease in cash generated from business operations resulting in a favorable comparison period as the nine months ended September 30, 2017 included a payment of \$351.6 million associated with the settlement of the DERMAGRAFT litigation.

Net cash provided by operating activities for the year ended December 31, 2017 increased 60% to \$4,256.7 million (2016: \$2,658.9 million), primarily due to inclusion of a full year of Baxalta operating cash flows, increased cash receipts from higher sales and operating profitability, partially offset by a payment of \$351.6 million associated with the settlement of the DERMAGRAFT litigation and higher interest payments.

Net cash provided by operating activities for the year ended December 31, 2016 increased 14% to \$2,658.9 million (2015: \$2,337.0 million), primarily due to increased cash receipts from higher sales, partially offset by higher tax and interest payments, costs related to the Baxalta integration and a payment associated with the termination of a biosimilar collaboration acquired with Baxalta.

Net cash provided by investing activities was \$1,676.8 million during the nine months ended September 30, 2018, primarily related due to proceeds from the sale of the Oncology franchise of \$2,412.2 million, proceeds from the sale of investments of \$31.8 million, offset by purchases of \$564.6 million of PP&E due to continued investments in manufacturing operations, and the acquisition of a European plasma company for \$104.7 million.

Net cash used in investing activities was \$700.9 million for the year ended December 31, 2017, primarily related to purchase of \$798.8 million of PP&E due to continued investments in manufacturing operations, offset by \$88.6 million of proceeds from the sale of investments.

Net cash used in investing activities was \$18,092.2 million for the year ended December 31, 2016, primarily related to the cash paid for the acquisitions of Baxalta (\$12,366.7 million, less cash acquired of \$583.2 million) and Dyax (\$5,934.0 million, less cash acquired of \$241.2 million). Shire's investing activities also included the purchase of \$648.7 million of PP&E due to the continued investment in manufacturing operations.

Net cash used in financing activities was \$4,751.1 million during the nine months ended September 30, 2018, principally due to the repurchase of \$2.3 billion of Baxalta Notes, \$1.2 billion of repayments under the November 2015 Facility, a contingent consideration payment of \$396.0 million, repayment of the \$375.0 million floating-rate Baxalta Notes and the \$375.0 million fixed-rate Baxalta Notes, and a dividend payment of \$276.6 million, which was partially offset by \$105.0 million of increased borrowings under the RCF, and \$180.8 million of cash proceeds from the exercise of options.

Net cash used in financing activities was \$3,619.3 million for the year ended December 31, 2017, principally due to repayments of November Facilities of \$3,800.0 million and dividend payments of \$281.3 million, offset by monies borrowed under the RCF of \$360.0 million and proceeds from the issuance of stock and share-based compensation arrangements of \$134.1 million.

Net cash provided by financing activities was \$15,825.8 million for the year ended December 31, 2016, principally due to monies borrowed under the January 2016 Facilities Agreement to partially fund the acquisition of Baxalta (repaid using the proceeds of the issuance of the SAIDAC Notes) and drawings made under the RCF and the November 2015 Facilities Agreement to fund the acquisition of Dyax (net of subsequent repayments). In addition, Shire made dividend payments of \$171.3 million.

Outstanding Letters of credit

As of September 30, 2018 and December 31, 2017, Shire had irrevocable standby letters of credit and guarantees with various banks totaling \$249.5 million and \$224.8 million, providing security for Shire's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments.

Cash Requirements

As of December 31, 2017, Shire's cash requirements for current and non-current liabilities reflected on Shire's consolidated balance sheets and other contractual obligations were as follows:

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(millions of dollars)				
Borrowings and capital lease obligations	\$23,626.5	\$3,330.5	\$5,294.7	\$4,555.0	\$10,446.3
Operating leases obligations	1,579.7	188.5	320.0	275.4	795.8
Purchase obligations	3,946.6	2,113.4	1,501.4	281.1	50.7
Other non-current liabilities	1,077.6	—	473.9	323.9	279.8
Total	\$30,230.4	\$5,632.4	\$7,590.0	\$5,435.4	\$11,572.6

Calculations of expected interest payments incorporate current period assumptions for interest rates, foreign currency translation rates and hedging strategies (refer to Note 15 to the consolidated financial statements of Shire contained in this registration statement), and assume that interest is accrued through the maturity date or expiration of the related instrument. Shire leases certain land, facilities, motor vehicles and certain equipment under operating leases expiring through 2033.

Purchase obligations include agreements to purchase goods, investments or services (including clinical trials, contract manufacturing and capital equipment), and open purchase orders, that are enforceable and legally binding and that specify all significant terms. Shire expects to fund these commitments with cash flows from operating activities.

Unrecognized tax benefits and associated interest and penalties of \$143.8 million are included within payments due in one to three years.

The following items have been excluded from the table above:

- Cash outflows related to the assumed pension and other post-employment benefit plans, in which timing of funding is uncertain and dependent on future movements in interest rates and investment returns, changes in laws and regulations and other variables.
- In connection with Shire's acquisitions, Shire recorded contingent consideration liabilities related to development, regulatory and commercial milestones and royalty payments. These liabilities were recorded at fair value on the respective acquisition dates and revalued each reporting period. Shire may pay up to approximately \$2.7 billion, which excludes royalty related payments, upon achieving clinical, regulatory and commercialization milestones. For additional information, see Note 14 to Shire's consolidated financial statements included in this registration statement.
- Milestone payments to third parties upon the achievement of development, regulatory and commercial milestones, as well as potential royalty payments, associated with in-licensing and collaboration agreements. Potential future milestone payments associated with these arrangements was approximately \$5.5 billion, which excludes potential royalty payments. For additional information, see Note 4 to Shire's consolidated financial statements included in this registration statement.

- Milestone payments related with collaboration agreements that become payable only if Shire chooses to exercise one or more of its options and potential contingent payments associated with R&D costs that may be funded by collaboration partners in the future.
- An unfunded commitment of \$48.9 million as a limited partner in multiple investment companies, in which the timing of future payments is uncertain.

During the nine months ended September 30, 2018, there were no material changes to Shire's contractual obligations disclosed above, except as described below.

On September 11, 2018, Shire purchased an aggregate of \$2.3 billion in principal amount of Baxalta Notes from existing holders consisting of its 2.875% Notes due June 2020, 3.600% Notes due June 2022, 4.000% Notes due June 2025 and 5.250% Notes due June 2045 pursuant to a debt tender offer. Shire paid approximately \$2.4 billion, including accrued and unpaid interest and tender premium, to purchase such notes. As a result of the debt tender offer, Shire recognized a loss on extinguishment of debt in the third quarter of 2018 of \$40.6 million, which is included in Other (expense)/income, net within the unaudited consolidated statements of operations.

Off-balance sheet arrangements

There are no off-balance sheet arrangements, aside from those outlined above, that have, or are reasonably likely to have, a current or future material effect on Shire's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Foreign currency fluctuations

A number of Shire's subsidiaries have a functional currency other than the U.S. dollar. As such, the consolidated financial results are subject to fluctuations in exchange rates, particularly in the Euro, Swiss franc, Japanese yen and Pound sterling against the U.S. dollar.

Accumulated foreign currency translation differences of \$1,279.6 million are reported within Accumulated other comprehensive income as of December 31, 2017. Foreign exchange losses for the year ended December 31, 2017 of \$97.3 million are reported in Shire's consolidated statements of operations.

As of December 31, 2017, Shire had outstanding foreign exchange swap and forward contracts that manage the currency risk associated with intercompany transactions. As of December 31, 2017 the fair value of these contracts was a net asset of \$11.4 million. For the year ended December 31, 2017, net gains on foreign exchange swaps and forwards of \$93.6 million are reported in Shire's consolidated statements of operations.

Concentration of credit risk

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, derivative contracts and trade accounts receivable from product sales and from third parties from which Shire receives royalties. Cash is invested in short-term money market instruments, including money market and liquidity funds and bank term deposits or held on account. The money market and liquidity funds where Shire invests are all triple A rated by both Standard and Poor's and by Moody's credit rating agencies.

Shire is exposed to the credit risk of the counterparties with which it enters into bank term deposit arrangements and derivative instruments. Shire limits this exposure through a system of internal credit limits which vary according to ratings assigned to the counterparties by the major rating agencies. The internal credit limits are approved by Shire's board of directors and exposure against these limits is monitored by Shire's corporate treasury function. The counterparties to these derivatives contracts are major international financial institutions.

Inflation

Although at reduced levels in recent years, inflation continues to apply upward pressure on the cost of goods and services which are used in the business. However, Shire believes that the net effect of inflation on its revenues and operations has been minimal during the past three years.

Critical accounting estimates

The preparation of Shire's consolidated financial statements, in conformity with U.S. GAAP and SEC regulations, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and equity at the date of Shire's consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an on-going basis, Shire evaluates its estimates, judgments and methodologies. Estimates are based on historical experience, current conditions and on various other assumptions that are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities and equity and the amounts of revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition and Related Allowances

a. Product Revenue

Shire recognizes revenues from Product sales when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Shire records Product sales net of sales deductions.

b. Other Revenue

Royalty income relating to licensed technology is generally recognized when the licensee sells the underlying product. Shire estimates sales amounts and related royalty income based on the historical product information. Estimates are revised pursuant to receiving sales information from the relevant licensee. If Shire is unable to reliably estimate the amount based on past experiences, the amount of royalty income is recorded when sales information from the relevant licensee is received.

c. Sales Deductions

Sales deductions consist primarily of statutory rebates to State Medicaid and other government agencies, Medicare Part D rebates, commercial rebates and fees to MCOs, Group Purchasing Organizations, distributors and specialty pharmacies, product returns, sales discounts (including trade discounts), distribution service fees, wholesaler chargebacks and allowances for coupon and patient assistance programs. These deductions are recorded as reductions to revenue in the same period as the related sales are recognized. Reserves are based on estimates of the amounts earned or to be claimed on the related sales. Estimates are based on Shire's historical experience of existing or similar programs, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Additionally, certain rebates are based on annual purchase volumes which are not known until completion of the annual period on which they are based. As a result, Shire estimates the accruals and related reserves required for amounts payable under these programs.

If actual results vary, Shire may need to adjust these estimates, which could have an effect on earnings in the period of the adjustment. Aggregate reserves for Medicaid and MCO rebates as of December 31, 2017, 2016 and 2015 were \$1,612.7 million, \$1,431.3 million and \$982.4 million or 11%, 13% and 16%, respectively, of product sales. Historically, actual rebates have not varied significantly from the reserves provided.

d. Product Returns

Shire typically accepts customer product returns in the following circumstances: (a) expiration of shelf life on certain products; (b) product damaged while in Shire's possession; (c) under sales terms that allow for unconditional return (guaranteed sales); or (d) following product recalls or product withdrawals. Generally, returns for expired product are accepted three months before and up to one year after expiration date of the relevant product and the returned product is destroyed. Depending on the product and Shire's return policy with respect to that product, Shire may either refund the sales price paid by the customer by issuance of a credit, or exchange the returned product with replacement inventory. Shire typically does not provide cash refunds.

Shire estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including but not limited to:

- past product returns activity;
- the duration of time taken for products to be returned;
- the estimated level of inventory in the distribution channel;
- product recalls and discontinuances;
- the shelf life of products;
- the launch of new drugs or new formulations; and
- the loss of patent protection, exclusivity or new competition.

The accrual estimation process for product returns involves, in each case, a number of interrelating assumptions, which vary for each combination of product and customer. As of December 31, 2017, 2016 and 2015, reserves for product returns were \$175.7 million, \$118.4 million, and \$128.3 million or 1.2%, 1.1% and 2.1%, respectively, of Product sales. Historically, actual returns have not varied significantly from the reserves provided.

Valuation of intangible assets, including IPR&D

In conjunction with the accounting for business combinations, Shire recorded intangible assets primarily related to commercially marketed products and IPR&D projects. Shire has intangible assets, net of \$33,046.1 million as of December 31, 2017 and \$34,697.5 million as of December 31, 2016.

If Shire acquires an asset or group of assets that do not meet the definition of a business under applicable accounting standards, the acquired IPR&D is expensed on its acquisition date. Future costs to develop these assets are recorded to Research and development expense as they are incurred.

The identifiable intangible assets are measured at their respective fair values as of the acquisition date. When significant identifiable intangible assets are acquired, Shire engages an independent third-party valuation firm to assist in determining the fair values of these assets as of the acquisition date. Discounted cash flow models are typically used in these valuations and the models used in valuing these intangible assets require the use of significant estimates and assumptions including but not limited to:

- estimates of revenues and operating profits related to the products or product candidates;
- the probability of success for unapproved product candidates considering their stages of development;
- the time and resources needed to complete the development and approval of product candidates;
- projecting regulatory approvals; and
- developing appropriate discount rates and probability rates by project.

Shire believes the fair values used to record intangible assets acquired in connection with a business combination are based upon reasonable estimates and assumptions given the facts and circumstances as of the acquisition date.

Impairment and Amortization of Long-lived Assets, including intangible assets

Long-lived assets to be held and used include intangible assets and property, plant and equipment. Property, plant and equipment and intangible assets related to Shire's commercially marketed products are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Management reviews intangible assets related to IPR&D product rights for impairment annually, as of October 1, and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When performing the impairment assessment, management calculates the fair value of the intangible assets using the same methodology as described above under "Valuation of intangible assets, including IPR&D." For property, plant and equipment, Shire uses a variety of methodologies to determine the fair value, including appraisals and discounted cash flow models, which estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of long lived assets exceeds its fair value, then the asset is written-down to its fair value.

Intangible assets related to commercially marketed products are amortized over their estimated useful lives on an economic consumption method, or a straight-line basis when straight-line method approximates economic consumption method. Intangible assets related to IPR&D product rights are treated as indefinite-lived intangible assets and not amortized until the product is approved for sale by regulatory authorities in specified markets. At that time, Shire will determine the useful life of the asset, reclassify the asset out of IPR&D and begin amortization.

If IPR&D projects are not successfully developed and/or the value of the commercially marketed products becomes impaired, fail during development, are abandoned or subject to significant delay or do not receive the relevant regulatory approvals, Shire may not realize the future cash flows that it has estimated nor recover the value of the initial or subsequent R&D investments made subsequent to acquisition of the asset project. If such circumstances occur, Shire's future operating results could be materially adversely impacted.

Goodwill

Goodwill represents the excess of the consideration transferred over the estimated fair value of assets acquired and liabilities assumed in a business combination. Shire has \$19,831.7 million and \$17,888.2 million of goodwill as of December 31, 2017 and 2016, respectively, as a result of accounting for business combinations using the acquisition method of accounting.

Shire assesses the goodwill balance within its single reporting unit annually, as of October 1, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable to determine whether any impairment in this asset may exist and, if so, the extent of such impairment. Shire reviews goodwill for impairment by assessing qualitative and quantitative factors, including comparing the market capitalization of Shire to the carrying value of its assets. Events or circumstances that might require an interim evaluation include unexpected adverse business conditions, economic factors, unanticipated technological changes or competitive activities and acts by governments and courts.

Shire completed its annual impairment test in the fourth quarters of 2017, 2016 and 2015, respectively, and determined in each of those periods that the carrying value of goodwill was not impaired. In each year, the fair value of the reporting unit, which includes goodwill, was significantly in excess of the carrying value of the reporting unit.

Income Taxes

Shire accounts for income taxes under the asset and liability method. Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current laws. Deferred taxes are provided using enacted tax rates on the future tax consequences of temporary differences, which are the differences between the financial statement carrying amount of assets and liabilities and their respective tax bases and the tax benefits of carryforwards. In the normal course of business, Shire is audited by the Irish and foreign tax authorities, and it is periodically challenged regarding the amount of taxes due. These challenges primarily relate to the timing and amount of deductions and the transfer pricing in various tax jurisdictions. Shire believes its tax positions comply with applicable tax law and Shire intends to defend its positions.

In accounting for uncertainty in income taxes, management is required to develop estimates as to whether a tax benefit should be recognized in Shire's consolidated financial statements, based on whether it is more likely than not that the technical merits of the position will be sustained based on audit by the tax authorities. In accounting for income tax uncertainties, management is required to make judgments in the determination of the unit of account, the evaluation of the facts, circumstances and information in respect of the tax position taken, together with the estimates of amounts that Shire may be required to pay in ultimate settlement with the tax authority. Any outcome upon settlement that differs from the recorded provision for uncertain tax positions may result in a materially higher or lower tax expense in future periods, which could significantly impact Shire's results of operations or financial condition. However, Shire does not believe it is possible to reasonably estimate the potential impact of any such change in assumptions, estimates or judgments and the resultant change, if any, in Shire's provision for uncertain tax positions, as any such change is dependent on factors such as future changes in tax law or administrative practice, the amount and nature of additional taxes which may be asserted by the taxation authorities, and the willingness of the relevant tax authorities to negotiate a settlement for any such position.

Shire has significant deferred tax assets due to various tax attributes, including net operating losses and tax credits from research and development activities principally in the Republic of Ireland, the U.S., Switzerland, Belgium and Germany. The realization of these assets is not assured and is dependent on various factors. Management is required to exercise judgment in determining whether it is more likely than not that it would realize these deferred tax assets. In assessing the need for a valuation allowance, management weighs all available positive and negative evidence including cumulative losses in recent years, expectations of future taxable income, carry forward and carry back potential under relevant tax law, expiration period of tax attributes, taxable temporary differences, and prudent and feasible tax-planning strategies. A valuation allowance is established where there is an expectation that on the balance of probabilities management considers it is more likely than not that the relevant deferred tax assets will not be realized. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could significantly impact Shire's financial condition and results of operations.

Litigation and legal proceedings

Shire has a number of lawsuits pending. Shire recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. Estimates of losses may be developed substantially before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. In instances where Shire is unable to develop a reasonable estimate of loss, no loss contingency provision is recorded at that time; however, disclosure would be made if the loss contingency is at least reasonably possible to occur. These estimates are reviewed quarterly and changed when expectations are revised. An outcome that deviates from Shire's estimate may result in an additional expense (or credit) in a future accounting period. As of December 31, 2017, provisions for litigation losses, insurance claims and other disputes totaled \$76.2 million (2016: \$415.0 million).

Contingent consideration payable

The fair value of Shire's contingent consideration payable as of December 31, 2017 was \$1,168.2 million (2016: \$1,058.0 million). Contingent consideration payable represents future milestones and royalties Shire may be required to pay in conjunction with various business combinations. The amounts ultimately payable by Shire are dependent upon the successful achievement of the relevant milestones and future net sales of the relevant products over the life of the milestone or royalty term, respectively. Shire estimates the fair value of contingent consideration payable using the income approach, based on a discounted cash flow method. The discounted cash flow method uses inputs with values that may not be observable in a public trading market, including, but not limited to: the probability of, and period in which, the relevant milestone event is expected to be achieved; the amount of royalties that will be payable based on forecast net sales of the relevant products; and the discount rates to be applied in calculating the present values of the relevant milestone or royalty. Significant judgment is employed by Shire in developing these estimates and assumptions. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, Shire's financial condition and results of operations could be materially affected in the period of any such change of estimate.

Pension and other postemployment benefit (OPEB) plans

The valuation of the funded status and net periodic benefit cost is calculated using actuarial assumptions. These significant assumptions include the following:

- interest rates used to discount pension and OPEB plan liabilities;
- the long-term rate of return on pension plan assets;
- rates of increases in employee compensation (used in estimating liabilities);
- anticipated future healthcare costs (used in estimating the OPEB plan liability); and
- other assumptions involving demographic factors such as retirement, mortality and turnover (used in estimating liabilities).

Selecting assumptions involves an analysis of both short-term and long-term historical trends and known economic and market conditions at the time of the measurement date. The use of different assumptions would result in different measures of the funded status and net cost. Actual results in the future could differ from expected results. A 50 basis points decrease in the discount rate would result in an annual increase in pension and other postretirement benefit expense of approximately \$6.5 million and an increase in the benefit obligation of approximately \$108.2 million. A 50 basis points increase in the discount rate would result in an annual decrease in pension and other postretirement benefit expense of approximately \$7.3 million and a decrease in the benefit obligation of approximately \$93.8 million. Shire's key assumptions are listed in Note 19 to Shire's consolidated financial statements included in this registration statement.

Share-based compensation

Shire makes certain assumptions in order to value and record expense associated with awards made under the share-based compensation arrangements. Changes in these assumptions may lead to variability with respect to the amount of expense recognized in connection with share-based payments. Shire uses the Black-Scholes model to compute the estimated fair value of stock option awards. Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of stock price, (ii) the periods of time options are expected to be held prior to exercise (expected lives), (iii) expected dividend yield on common stock, and (iv) risk-free interest rates.

Restructuring costs

Shire has made estimates and judgments regarding the amount and timing of its restructuring expense and liability, including current and future period termination benefits and other exit costs to be incurred when

related actions take place. Severance and other related costs are reflected in Shire's consolidated statements of operations as a component of reorganization costs or Integration and acquisition costs. Actual results may differ from these estimates.

Newly Adopted Accounting Standards Requiring Full Retrospective Adoption

Effective January 1, 2018, Shire adopted the following standards that would require a retrospective application to historical financial statements:

- ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new standard clarifies certain aspects of the statement of cash flows, and aims to reduce diversity in practice regarding how certain transactions are classified in the statement of cash flows.
- ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. If the requirements of this ASU had been retrospectively applied to the years ended December 31, 2017, 2016 and 2015, \$39.4 million, \$25.6 million, and \$86.0 million of restricted cash and restricted cash equivalents would have been included in the ending total cash and cash equivalents in the statement of cash flows, resulting in restated ending cash and cash equivalents of \$511.8 million, \$554.4 million, and \$221.5 million for each of the respective periods.
- ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The standard amends the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other postretirement plans. The standard requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the “other components”) and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. It also requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. If the requirements of this ASU had been retrospectively applied to the years ended December 31, 2017, 2016 and 2015, \$0.1 million, \$(47.3) million, and \$0.0 million of net periodic benefit cost included in Operating income from continuing operations would have been included in total other expense, net in the income statement, resulting in restated total other expense, net of \$561.9 million for the year ended December 31, 2017 and \$429.5 million for the year ended December 31, 2016.

Shire's financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 that have been included herein have not been revised for the retrospective application of the above standards since the impact of these standards was not material. Refer to Shire's audited and unaudited consolidated financial statements contained in this registration statement for additional discussion of recently issued accounting standards.

Item 6. Directors, Senior Management and Employees

A. *Directors and Senior Management.*

Directors

The following table provides information about Directors of the Company as of the date of this registration statement.

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>	<u>End of Term</u>
Christophe Weber (November 14, 1966)	Representative Director, President and Chief Executive Officer	Christophe Weber is President and Chief Executive Officer of Takeda. He joined Takeda in April 2014 as Chief Operating Officer and Corporate Officer, was named President and Representative Director in June 2014 and was subsequently appointed Chief Executive Officer in April 2015. Prior to joining Takeda, Mr. Weber held positions of increasing responsibility at GlaxoSmithKline plc, including President and General Manager at GlaxoSmithKline Vaccines, Chief Executive Officer of GlaxoSmithKline Biologicals SA in Belgium, and member of the GlaxoSmithKline global Corporate Executive Team. From 2008 to 2010, Mr. Weber served as Asia Pacific SVP and Regional Director at GlaxoSmithKline Asia Pacific in Singapore.	Note 1
Masato Iwasaki, Ph.D. (November 6, 1958)	Director and President, Japan Pharma Business Unit	Masato Iwasaki is the President of Takeda's Japan Pharma Business Unit. He joined Takeda in 1985 and had an extensive career in roles of increasing responsibility in sales and marketing under the Pharmaceutical Marketing Division. In 2003, Mr. Iwasaki was appointed Manager of Strategic Product Planning and Project Leader for the Cardiovascular and Metabolic franchise. He was appointed Senior Vice President of the Strategic Product Planning department in 2008. In 2010, Mr. Iwasaki was named Corporate Officer. Mr. Iwasaki has been a Director of our board of directors since 2012 and was named President of the Japan Pharma Business Unit in 2015.	Note 1
Andrew S. Plump, M.D., Ph.D. (October 13, 1965)	Director and Chief Medical & Scientific Officer	Andrew S. Plump, MD., Ph.D. joined Takeda as Chief Medical and Scientific Officer (CMSO) in 2015. Dr. Plump also serves as a member of our executive team and our board of directors. In his position, he leads our global Research & Development organization, where he provides strategic direction and oversight. Prior to joining Takeda, Dr. Plump served as Senior Vice President, Research & Translational Medicine, Deputy to the President of R&D at Sanofi, where he was responsible for global research and	Note 1

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>	<u>End of Term</u>
		translational medicine across all therapeutic areas. Dr. Plump also spent more than 10 years at Merck in a Clinical Pharmacology group, working on programs in neurodegeneration, immunology, metabolism and infectious diseases.	
Masahiro Sakane (January 7, 1941)	External Director	Masahiro Sakane has served as External Director of Takeda since June 2014 and was appointed Chairman of the Board in June 2017. Mr. Sakane currently also serves as Councilor of Komatsu Ltd., and External Director of Kajima Corporation. Mr. Sakane started his career at Komatsu Ltd. in April 1963. In the Komatsu group, he served in several senior leadership positions including Chairman of the Board and Representative Director and President and Representative Director of Komatsu Ltd. and COO of Komatsu Dresser Company (currently Komatsu America Corp.). Mr. Sakane has also served as External Director of Nomura Holdings, Inc., External Director of Nomura Securities Co., Ltd., External Director of Tokyo Electron Limited, External Director of Asahi Glass Company, Ltd. and Vice Chairman of Keidanren (Japan Business Federation).	Note 1
Yoshiaki Fujimori (July 3, 1951)	External Director	Yoshiaki Fujimori has served as External Director of Takeda since June 2016. Mr. Fujimori currently also serves as Advisor of LIXIL Group Corporation and External Director of Tokyo Electric Power Company, Incorporated (currently Tokyo Electric Power Company Holdings, Incorporated). He previously served in a number of senior leadership positions within the LIXIL Group, including Representative Director, Chairman and CEO of LIXIL Corporation. Mr. Fujimori has also served in a number of senior positions in the General Electric Group, including Chairman of GE Japan Corporation and Chairman, President and CEO of General Electric Japan Ltd.	Note 1
Emiko Higashi (November 6, 1958)	External Director	Emiko Higashi has served as External Director of Takeda since June 2016. She currently also serves as External Director of MetLife Insurance K.K., External Director of InvenSense Inc. and External Director of KLA-Tencor Corporation. Ms. Higashi previously served as Managing Director of Tomon Partners, LLC, CEO of Gilo Ventures, LLC, Managing Director of	Note 1

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>	<u>End of Term</u>
Michel Orsinger (September 15, 1957)	External Director	Investment Banking, Merrill Lynch & Co. and Director of Wasserstein Perella & Co., Inc. Michel Orsinger has served as External Director of Takeda since June 2016. He previously served as a Member of Global Management Team of Johnson & Johnson, Worldwide Chairman, Global Orthopedics Group of DePuy Synthes Companies of Johnson & Johnson and President and Chief Executive Officer and Chief Operating Officer of Synthes, Inc. (currently Johnson & Johnson). He has also held several leadership positions at Novartis AG, including Chief Executive Officer and President of OTC Division Worldwide, Consumer Health; President of Global Medical Nutrition, Consumer Health; and Regional President of Europe, Middle East and Africa, Consumer Health.	Note 1
Toshiyuki Shiga (September 16, 1953)	External Director	Toshiyuki Shiga has served as External Director of Takeda since June 2016. Mr. Shiga currently also serves as Chairman and CEO of Innovation Network Corporation of Japan, Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives) and Vice Chairman of Nissan Motor Co., Ltd. Mr. Shiga started his career at Nissan Motor Co., Ltd. in April 1976. At Nissan Motor Co., Ltd., he served in a number of leadership positions including Director, Chief Operating Officer and Senior Vice President (Officer). He has also served as Chairman of Japanese Automobile Manufacturers Association, Inc.	Note 1
Yasuhiko Yamanaka (January 18, 1956)	Director (Audit and Supervisory Committee member)	Yasuhiko Yamanaka has served as Director and member of the Audit and Supervisory Committee of Takeda since June 2016. Mr. Yamanaka joined Takeda in April 1979 and has served in a number of leadership positions within the company, including Corporate Auditor, Special Missions, Special Missions assigned by President, Assistant to CEO, Globalization of the Company, Managing Director and Director.	Note 2
Shiro Kuniya (February 22, 1957)	External Director (Chairperson of Audit and Supervisory Committee)	Shiro Kuniya has served as External Director and Head of the Audit and Supervisory Committee of Takeda since June 2016. He currently also serves as Managing Partner of Oh-Ebashi LPC & Partners, External Director of NEXON Co., Ltd., External Director of EBARA CORPORATION and External Director of Sony	Note 2

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>	<u>End of Term</u>
		Financial Holdings Inc. Mr. Kuniya was registered as an attorney-at-law (Osaka Bar Association) and joined Oh-Ebashi Law Offices in April 1982 and was also admitted to practice law in New York State in the United States in May 1987. He has also previously served as our Outside Corporate Auditor as well as Chairman of the Inter-Pacific Bar Association, Outside Corporate Auditor of NIDEC CORPORATION and Outside Corporate Auditor of Sunstar Inc.	
Jean-Luc Butel (November 8, 1956)	External Director (Audit and Supervisory Committee member)	Jean-Luc Butel has served as External Director and member of the Audit and Supervisory Committee of Takeda since June 2016. He currently also serves as Global Healthcare Advisor, President of K8 Global Pte. Ltd and Director of Novo Holdings A/S. Mr. Butel previously served as President, International, Corporate Vice President and Operating Committee Member of Baxter International Inc. and has held leadership positions at Medtronic, Inc., Johnson & Johnson, Becton, Dickinson and Company and Nippon Becton Dickinson Company, Ltd.	Note 2
Koji Hatsukawa (September 25, 1951)	External Director (Audit and Supervisory Committee member)	Koji Hatsukawa has served as External Director and member of the Audit and Supervisory Committee of Takeda since June 2016. He currently also serves as Outside Audit and Supervisory Board Member of Fujitsu Limited. Mr. Hatsukawa started his career at Price Waterhouse Accounting Office in March 1974. Mr. Hatsukawa has previously served CEO of PricewaterhouseCoopers Aarata and has held leadership positions at ChuoAoyama PricewaterhouseCoopers and Aoyama Audit Corporation. In addition, he has also served as an Audit and Supervisory Board Member of The Norinchukin Bank and Outside Audit and Supervisory Board Member of Accordia Golf co., Ltd.	Note 2

Notes:

- (1) The term of office for Directors of the Company who are not audit and supervisory committee members is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2018 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2019.
- (2) The term of office for Directors of the Company who are also audit and supervisory committee members is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2018 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2020.

In addition to the Directors named above, our shareholders approved the election of the following three additional directors at our extraordinary general meeting of shareholders on December 5, 2018. The election of

these new Directors is conditional upon the Scheme taking effect as planned and will become effective upon the date of completion of the Shire Acquisition, which we intend to be on or around January 8, 2019. As of the date of this registration statement, none of these new Directors own any shares of our common stock.

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda upon effectiveness of election</u>	<u>Business Experience</u>	<u>End of Term</u>
Ian Clark (August 27, 1960)	External Director	Ian Clark is External Director of Shire plc, and also currently holds External Directorships at Agios Pharmaceuticals, Inc., Corvus Pharmaceuticals, Inc., Guardant Health, Inc., AVROBIO Inc. and Forty Seven Inc. and is a member of the Gladstone Institute. Mr. Clark served as Chief Executive Officer and Director of Genentech Inc. (part of the Roche Group) and Head of North American Commercial Operations for Roche until 2016. From 2003 to 2010 he held the positions of Head of Global Product Strategy and Chief Marketing Officer, Executive Vice President—Commercial Operations and Senior Vice President and General Manager—BioOncology at Genentech.	Note 1
Olivier Bohuon (January 3, 1959)	External Director	Olivier Bohuon is External Director of Shire plc. Mr. Bohuon currently also holds the positions of External Director at Virbac SA, External Director at Smiths Group plc and External Director and Vice Chairman at LEO Pharma A/S. Mr. Bouhon has previously served as Chief Executive Officer of Smith & Nephew plc, Chief Executive Officer and President of Pierre Fabre Group and as President of Abbott Pharmaceuticals; a division of US-based Abbott Laboratories. He has also held diverse commercial leadership positions at GlaxoSmithKline and its predecessor companies in France.	Note 1
Steven Gillis, PhD (April 25, 1953)	External Director	Dr. Steven Gillis is External Director of Shire plc and also currently holds the positions of Managing Director at ARCH Venture Partners, External Director of Pulmatrix, Inc., and External Director and Chairman, VBI Vaccines, Inc. Dr. Gillis was a founder and Director of Corixa Corporation, acquired by GlaxoSmithKline in 2005, and before that a founder and Director of Immunex Corporation.	Note 1

Note:

- (1) The term of office for these new Directors will last through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2019.

Executive Officers

The following table provides information about the Company's Executive Officers who are not also directors as of the date of this registration statement.

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>
Costa Saroukos (April 15, 1971)	Chief Financial Officer (CFO)	<p>In March 2018, Costa Saroukos was appointed Takeda's Chief Financial Officer. He is also a member of the Takeda Executive Team (TET) reporting to the company's President & CEO.</p> <p>Mr. Saroukos has over 20 years of experience in both the private and public sectors, having held a number of finance leadership positions with financial responsibility for businesses in over 100 countries across Asia-Pacific, Europe, Africa and the Middle East.</p> <p>Mr. Saroukos has been with Takeda since May 2015, as Chief Financial Officer of the Europe and Canada Business Unit, significantly contributing to the transformation of the Business Unit towards a specialty healthcare provider.</p> <p>Prior to joining Takeda, Mr. Saroukos was at Allergan as Head of Finance and Business Development for the Asia-Pacific region, including China and Japan. He was also Finance Director for Greater China and Japan. Previously, he spent 13 years at Merck & Co. in roles of increasing responsibility, including Executive Finance Director for EEMEA (Eastern Europe, Middle East and Africa), Finance Director of South Korea and Head of Internal Audit Asia Pacific and Global Joint Ventures.</p>
Christophe Bianchi, M.D. (June 1, 1961)	President, Global Oncology Business Unit	<p>Christophe Bianchi, M.D., is President of the Takeda Global Oncology Business Unit, a position he has held since October 2014. In his current role, Dr. Bianchi is responsible for oncology business activities in seven countries, including the U.S., Japan, U.K., Germany, France, Brazil and Indonesia.</p> <p>Dr. Bianchi has more than 17 years of pharmaceutical industry experience and has held executive positions with Sanofi-Aventis and Millennium Pharmaceuticals. During his career, he has built commercial and sales organizations, launched major brands, delivered sustained growth and managed collaboration with partner companies.</p> <p>Dr. Bianchi joined Millennium in 2006 where he was responsible for growing the company's</p>

Name (Date of Birth)	Responsibilities and Status within Takeda	Business Experience
Gerard Greco, Ph.D. (February 8, 1962)	Global Quality Officer	<p>commercial and sales organizations and overseeing all commercial and sales activities for VELCADE.</p> <p>At Sanofi, Dr. Bianchi led the \$2 billion U.S. oncology business unit including Eloxatin and Taxotere. Previously at Sanofi-Synthelabo, Dr. Bianchi headed the internal medicine and central nervous system business unit with sales of \$1.2 billion. Dr. Bianchi also spent more than 10 years at Rhone-Poulenc Rorer, where he last served as Vice President, Head of Global Marketing and led many of the commercial efforts for the antithrombotic, Lovenox.</p> <p>In September 2014, Dr. Gerard Greco joined Takeda as Global Quality Officer. Dr. Greco has more than 31 years of experience in quality leadership roles in the pharmaceutical industry.</p> <p>At Takeda, Dr. Greco has introduced key transformations by creating a Global Quality Organization that aligns the quality units and establishes consistent quality systems and programs across the network.</p> <p>Prior to joining Takeda, Dr. Greco held positions of increasing responsibility at Johnson & Johnson, Wyeth Pharmaceuticals, Pfizer Inc. and Teva Pharmaceuticals, where he served as Senior Vice President of Global Quality Operations.</p>
Haruhiko Hirate (August 8, 1957)	Corporate Communications & Public Affairs Officer	<p>Haruhiko Hirate became Takeda's Corporate Communications and Public Affairs Officer in October 2014. He previously served as President of North Asia in 2011, and has held Corporate Officer and Senior Vice President positions at Takeda since 2010.</p> <p>Prior to joining Takeda, Mr. Hirate held the position of Representative Senior Managing Director at GlaxoSmithKline in Japan and, before that, Representative Director and President of Banyu Pharmaceuticals, the Japanese subsidiary of Merck & Co. He joined Banyu Pharmaceuticals in 2004 from his role as Senior Vice President at Merck & Co, based in the U.S. He had previously held the position of Representative Director and President at Roche Diagnostics based in Japan and before that, Asia Pacific Regional President of Draeger.</p> <p>Mr. Hirate began his career with Nissei Sangyo, a subsidiary of Hitachi, in 1980. During his career at Hitachi group companies, he lived for about five</p>

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>
Ricardo Marek (May 30, 1970)	President, Emerging Markets Business Unit	<p>years in Germany, mainly working with former Boehringer Mannheim, and a series of overseas projects in the U.S. and Asia between 1980 and 1996.</p> <p>Well respected in the Japanese pharmaceutical industry, Mr. Hirate served as Director at the Federation of Pharmaceutical Manufacturers Associations of Japan, and Chairman of the Pharmaceutical Research and Manufacturers of America (PhRMA) Japan. In 2012, he became a member of the Japan Association of Corporate Executives. In 2014, he became Chairman of the International Affairs Committee at the Japan Pharmaceutical Manufacturers Association.</p> <p>Ricardo Marek is President of Emerging Markets Business Unit (EM BU), and a member of Takeda's Executive Team, reporting to the Company's CEO & President, Christophe Weber.</p> <p>Ricardo has over 25 years of experience in various industries and leadership roles. He has been with Takeda for 6 years and over this time he simultaneously held the roles of Area Head for Latin America (LATAM) since 2014, President for Brazil since 2013. Prior to that, he was Chief Financial Officer (CFO) of Brazil.</p> <p>Ricardo led the realignment and restructuring of the LATAM area, positioning it as one of the top performers across EM BU, and Takeda Brazil as one of the top 10 pharmaceutical companies in the country. He also secured a number of acquisitions as well as launched the Oncology business in the region for Takeda's potentially life-saving and life-transforming medicines. Under his leadership, Takeda was recognized for the first time as a top employer in all seven countries across the LATAM region, and also received several other HR awards, such as Great Place to Work.</p> <p>Before joining Takeda in 2011, Ricardo was CFO for Organon International in the US, and Managing Director and Vice President Finance for the Akzo Nobel Group in Brazil. He also has experience in other industries such as chemicals and aerospace.</p>
Yoshihiro Nakagawa (July 26, 1960)	Global General Counsel	<p>In October 2014, Yoshihiro Nakagawa was appointed Corporate Officer and Global General Counsel of Takeda, with responsibility for the company's global legal, compliance and intellectual property organizations.</p>

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>
Giles Platford (April 26, 1978)	President, Europe and Canada business unit	<p>Mr. Nakagawa joined the company in 1983. At that time, he served in varying roles of responsibility including reviewing, negotiating and drafting intellectual property and technology-related licensing agreements as a member of the Patent & Trademark Department.</p> <p>In 1995, he moved to the Legal Department, then spent more than two years in London as Company Secretary for Takeda Europe Holdings. Prior to his current appointment, Mr. Nakagawa served as Senior Vice President of the Legal Department at Takeda headquarters in Japan.</p> <p>Giles Platford is President of Europe & Canada for Takeda. He is also a Corporate Officer and a member of Takeda's Executive Team reporting to the Company's CEO & President.</p> <p>A seasoned industry leader with over 15 years of pharmaceutical experience, Giles was formerly President of Emerging Markets for Takeda, where he oversaw the launch of Takeda's innovative pipeline across the region, and led the design and roll-out of Takeda's global Access to medicines program.</p> <p>Previously Giles headed the Middle East, Turkey and Africa region where he strengthened controls and compliance whilst re-engineering the business for growth. He also held various leadership positions including General Manager Brazil, where he transformed Takeda into a top 10 pharma industry player, being externally recognized for the first time as one of the country's top employers and best companies to work for.</p> <p>Before joining Takeda in 2009, Giles spent eight years in Asia Pacific, where he assumed a number of business development, commercial and general Management roles.</p>
Ramona Sequeira (November 21, 1965)	President, United States business unit	<p>Ramona Sequeira, President, United States Business Unit, is responsible for the company's commercial operations in the U.S. She serves as a member of Takeda's executive team.</p> <p>Prior to joining Takeda, Ms. Sequeira held various senior roles of increasing responsibility at Eli Lilly, both in the U.S. and the U.K. During her career, she led several successful product launches, managed relationships with partners, improved operational performance and workforce engagement. In her role as General Manager, U.K. Hub, she had</p>

<u>Name (Date of Birth)</u>	<u>Responsibilities and Status within Takeda</u>	<u>Business Experience</u>
Padma Thiruvengadam (January 18, 1965)	Chief Human Resources Officer	<p>responsibility for all affiliate operations in the U.K., Republic of Ireland and Northern Europe. She was a member of the Association of the British Pharmaceutical Industry.</p> <p>Ms. Sequeira is a member of the PhRMA board of directors. PhRMA is the Pharmaceutical Research and Manufacturers of America, representing the country's leading biopharmaceutical researchers and biotechnology companies. Additionally, Ms. Sequeira is a board member of the Healthcare Leadership Council, a coalition of executives from all disciplines within American healthcare. It is the exclusive forum for the nation's healthcare leaders to jointly develop policies, plans, and programs to achieve their vision of a 21st century system that makes affordable, high-quality care accessible to all Americans.</p> <p>Padma Thiruvengadam is a senior human resources executive with more than 25 years of experience developing and implementing leading-edge people strategies and organizational solutions. She was appointed as Takeda's Chief Human Resources Officer and a member of the Takeda executive team in June 2018, and is responsible for all HR strategies and programs supporting the company's global business.</p> <p>Prior to joining Takeda, she served as Chief People Officer for Lego, with responsibility for Human Resources and global organizational capability building.</p> <p>Previously, Ms. Thiruvengadam was CVP and Chief Human Resources Officer with Integra Life Sciences. She joined Pfizer, first as Vice President, Human Resources for Oncology and subsequently led global integration activities for Pfizer Oncology following a major acquisition and later as Vice President, Asia Pacific and Canada for the group's Oncology Business Unit. Earlier in her career she worked as a Senior Vice President and Human Resources Executive at Bank of America.</p>
Rajeev Venkayya, M.D. (March 6, 1967)	President, Global Vaccine business unit	<p>Dr. Rajeev Venkayya serves as President of the Vaccine Business Unit. He joined Takeda in 2012 to launch the global vaccine business, building upon a longstanding business in Japan. Since then, he has formed a global organization and established a high-impact vaccine pipeline that includes promising late-stage candidates for dengue and norovirus,</p>

Name (Date of Birth)	Responsibilities and Status within Takeda	Business Experience
Thomas Wozniewski, Ph.D. (July 26, 1962)	Global Manufacturing and Supply Officer	<p>gained through the acquisitions of LigoCyte and Inviragen Inc.</p> <p>Prior to Takeda, Dr. Venkayya served as Director of Vaccine Delivery in the Global Health Program at the Bill & Melinda Gates Foundation, where he was responsible for the Foundation's efforts in polio eradication and new vaccine introduction, and a grant portfolio of \$500 million/year. While at the foundation, he served on the board of the Global Alliance for Vaccines and Immunization (GAVI).</p> <p>Dr. Venkayya was previously the Special Assistant to the President for Biodefense at the White House. In this capacity, he oversaw U. S. preparedness for bioterrorism and biological threats, and was responsible for the development and implementation of the National Strategy for Pandemic Influenza. He first came to Washington through the non-partisan White House Fellowship program in 2002.</p> <p>Dr. Venkayya was trained in pulmonary and critical care medicine and served as an Assistant Professor of Medicine in the Division of Pulmonary and Critical Care Medicine at the University of California, San Francisco. He also served as co-director of the Medical Intensive Care Unit and Director of the High-Risk Asthma Clinic at San Francisco General Hospital.</p> <p>In July 2014, Thomas Wozniewski, Ph.D. joined Takeda as Global Manufacturing and Supply Officer. He has more than 20 years of experience in the pharmaceutical industry.</p> <p>Dr. Wozniewski joined Takeda from Bayer Healthcare Switzerland, where he was Head of Product Supply Consumer Care. In this role, he was responsible for the end-to-end supply chain for all Bayer global OTC products. Prior to this, he served as Head of Global Pharmaceuticals Product Supply at Bayer Healthcare AG and Schering AG in Germany.</p> <p>While at Schering AG, he was also Head of Global Quality, Environment and Safety, leading the development and implementation of an Integrated Management System for the company. Dr. Wozniewski also worked at Boehringer Ingelheim, where he held several positions in quality & production.</p>

B. Compensation.

The following table provides information about our executive officers whose compensations were greater than ¥100 million on an individual basis in the fiscal year ended March 31, 2018.

Name (Position)	Total consolidated compensation (millions of yen)	Company	Amount of consolidated compensation by type (millions of yen)			
			Base Compensation	Bonus	Long-Term Incentive ⁽¹⁾	Other
Christophe Weber (Director)	1,217	Takeda	254 ⁽²⁾	334	629 ⁽³⁾	—
James Kehoe (Director) ⁽⁴⁾	237	Takeda	152 ⁽⁵⁾	20	65 ⁽⁶⁾	—
Andrew S. Plump (Director)	536	Takeda Pharmaceuticals International, Inc. ⁽⁷⁾	12	—	—	—
Shinji Honda (Director) ⁽¹⁰⁾	105	Takeda	106	173	219 ⁽⁸⁾	26 ⁽⁹⁾
			95	—	10 ⁽¹¹⁾	—

Notes:

- (1) Compensation expense related to the long-term incentive plan is recognized over multiple fiscal years, depending on the length of the period eligible for earning compensation. This column shows amounts recognized as expenses during the fiscal year ended March 31, 2018.
- (2) Base compensation includes the amounts paid for residence and pension expenses for the relevant officers and taxes on such amounts (¥112 million).
- (3) The amount recognized as an expense during the fiscal year ended March 31, 2018, representing stock incentive plan (Board Incentive Plan) granted starting in the fiscal year ended March 31, 2015 and ending in the fiscal year ended March 31, 2018.
- (4) Resigned on May 31, 2018.
- (5) Base compensation includes the amounts paid for residence and pension expenses for the relevant officers and taxes on such amounts (¥66 million).
- (6) The amount recognized as an expense during the fiscal year ended March 31, 2018, based on the stock incentive plan (Board Incentive Plan) granted during the fiscal year ended March 31, 2018.
- (7) Shows the salary and other amounts earned as the Chief Medical & Scientific Officer of Takeda Pharmaceuticals International, Inc.
- (8) The amount recognized as an expense during the fiscal year ended March 31, 2018, representing stock incentive plan (Employee Stock Ownership Plan) granted starting in the fiscal year ended March 31, 2016 and ending in the fiscal year ended March 31, 2018.
- (9) Amounts of local pension plan contributions and fringe benefits paid by Takeda Pharmaceuticals International, Inc. during the fiscal year ended March 31, 2018, as well as the amount equal to taxes on such amounts.
- (10) Resigned as of the conclusion of the 141st annual meeting of shareholders held on June 28, 2017.
- (11) The amount recognized as an expense during the fiscal year ended March 31, 2018, representing the stock incentive plan (Board Incentive Plan) granted starting in the fiscal year ended March 31, 2015 and ending in the fiscal year ended March 31, 2017.

Share-based Compensation Payments

We maintain certain share-based compensation payment plans for the benefit of our directors and certain of our employees. In the fiscal years ended March 31, 2016, 2017 and 2018, we recorded total compensation expense related to our share-based payment plans of ¥14.7 billion, ¥17.4 billion and ¥22.2 billion, respectively, in our consolidated statements of income. For detailed information about our share-based

compensation plans, including our stock option plan, stock incentive plan, phantom stock appreciation rights and restricted stock units, see Note 28 to our audited consolidated financial statements included in this registration statement.

C. Board Practices.

See “—A. Directors and senior management” for information about the terms of service of the members of our Board of Directors and the committees thereof.

Corporate Governance Structure

Under the Companies Act, joint stock corporations in Japan may adopt a corporate governance structure comprised of a board of directors and an audit and supervisory committee, commonly referred to as the audit and supervisory committee system, in lieu of the traditional structure comprised of a board of directors and a board of corporate auditors or the alternative structure comprised of a board of directors and three statutory committees. The members of the audit and supervisory committee consist of three or more directors. We adopted the audit and supervisory committee system in June 2016, in order to further enhance our corporate governance, accelerate decision-making across our operations and improve our internal decision-making structure to be on a similar level with those of major international companies that are expanding their businesses globally.

Board of Directors

Pursuant to the audit and supervisory committee system, our board of directors is comprised of directors who are audit and supervisory committee members and directors who are not. Our articles of incorporation provide for a board of directors consisting of no more than 12 members who are not audit and supervisory committee members and no more than four directors who are audit and supervisory committee members. All directors are elected by our shareholders at a general meeting of shareholders, with directors who are audit and supervisory committee members elected separately from other directors. The term of office for directors who are not audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election, and the term of office for directors who are audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within two years after their election. The current terms of our directors are set forth under “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management”. All directors may serve any number of consecutive terms.

Our board of directors has the ultimate responsibility for the administration of our affairs. Our board of directors, however, may delegate by its resolution some or all of its decision-making authority in respect of the execution of operational matters (excluding certain matters specified in the Companies Act) to individual directors and has delegated such decision-making authority as described below. Our board of directors elects one or more representative directors from among its members who are not audit and supervisory committee members. Each of the representative directors has the authority to represent us in the conduct of our affairs.

Audit and Supervisory Committee

Our directors who are audit and supervisory committee members are not required to be certified public accountants. They may not serve concurrently as executive directors, managers or any other type of employee for us or for any of our subsidiaries, or as accounting advisors or corporate executive officers for any of our subsidiaries. In addition, more than half of our directors who are audit and supervisory committee members at any one time must be external directors as defined under the Companies Act, who have not served as executive directors, corporate executive officers, managers or any other type of employee for us or any of our subsidiaries for ten years prior to their election and fulfill certain other requirements specified in the Companies Act.

The audit and supervisory committee has a statutory duty to audit the administration of our affairs by our directors, to examine the financial statements and business reports to be submitted to the shareholders by a representative director, to prepare an audit report each year, to determine details of proposals concerning the appointment and dismissal of independent auditors and the refusal to reappoint independent auditors for submission to general meetings of shareholders and to determine the opinion on election, removal, resignation of or compensation for directors who are not audit and supervisory committee members, which may be expressed at a general meeting of shareholders. An audit and supervisory committee member may note his or her opinion in the audit report issued by the audit and supervisory committee if such an opinion differs from that expressed in the audit report. We are required to appoint and have appointed an independent auditor, who has a statutory duty of examining the financial statements to be submitted to the shareholders by a Representative Director and preparing its audit report thereon. KPMG AZSA LLC currently acts as our independent auditor.

Takeda Executive Team

As management tasks continue to diversify, we have established a Takeda executive team under the President and Chief Executive Officer, consisting of certain directors and employees in senior positions who manage and supervise our key functions, as well as a business review committee, which is responsible for consideration and determination of general management matters, a portfolio review committee, which is responsible for research and development and products-related matters, and an audit, risk and compliance committee, which is responsible for internal audit, risk management and compliance matters. Our board of directors has delegated all of its decision-making authority in respect of operational matters (excluding certain matters specified in the Companies Act, as well as substantive matters valued at ¥100 billion or more or those matters which will have substantial impact on us or our stakeholders) to the President and Chief Executive Officer, two directors belonging to the business review committee and one director belonging to the portfolio review committee.

Nomination Committee and a Compensation Committee

We have also voluntarily established a nomination committee and a compensation committee as advisory committees of the board of directors. As of the date of this registration statement, the nomination committee consists of one external director who serves as chairman, two other external directors and one other director who is not an external director, and the compensation committee consists of one external director who serves as chairman, one other external director and one other director who is not an external director. Together, the committees serve to ensure transparency and objectivity in decision-making relating to personnel matters for directors who are not external directors (including appropriate standards and procedures for appointment and reappointment and establishing and administering appropriate succession plans) and the compensation system (including appropriate levels of compensation for the directors, appropriate performance targets within the bonus system for directors and appropriate bonuses based on business results).

Limitation of Liability of Directors

Our articles of incorporation provide that we may enter into agreements with our directors (excluding executive directors (as defined under the Companies Act)) to limit their respective liabilities to us arising from their failure to execute their duties in good faith and without gross negligence, subject to applicable laws and regulations. We have entered into such agreements with our external directors, which limit the maximum amount of their respective liabilities to us to the minimum amount stipulated by applicable laws and regulations, so long as those directors act in good faith and without gross negligence in performing their duties.

D. Employees.

As of March 31, 2018, we had 27,230 employees on a consolidated basis, of which 6,957 employees were based in Japan and 20,273 employees were based outside Japan.

We have concluded a collective bargaining agreement with the Takeda Pharmaceutical Workers Union, through which we have established sound relations with our employees. We hold regular dialogues with the union concerning, among other issues, conditions of employment and human resources practices. Similarly, all of our group companies hold discussions with their respective workers unions and employee representatives in accordance with local laws. We have an employee stock ownership association for employees of Takeda.

E. Share Ownership.

The following table shows the number of shares owned by our directors as of March 31, 2018.

Directors

<u>Name</u>	<u>Number of Shares Held</u> <u>(of which, number of shares scheduled</u> <u>to be issued pursuant to equity-</u> <u>settled</u> <u>share-based compensation plans)</u>
	(thousands of shares)
	204
Christophe Weber	(122)
	16
Masato Iwasaki	(7)
	44
Andrew Plump	(44)
	3
Masahiro Sakane	(2)
	3
Yoshiaki Fujimori	(2)
	4
Emiko Higashi	(4)
	4
Michael Orsinger	(4)
	3
Toshiyuki Shiga	(2)
	23
Yamanaka Yasuhiko	(5)
	3
Shiro Kuniya	(2)
	4
Jean-Luc Butel	(4)
	2
Koji Hatsukawa	(2)
	314
Total	<u>(200)</u>

Each of our directors held less than one percent of our total issued shares as of March 31, 2018.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders.

The following table sets forth the number of shares held of record by each of our principal shareholders as well as the percentage of our issued shares held by each of our principal shareholders as of September 30, 2018.

<u>Shareholder</u>	<u>Number of shares held of record</u>	<u>Percentage of issued shares⁽¹⁾</u>
	<u>(thousands, except percentages)</u>	
The Master Trust Bank of Japan, Ltd. (Trust account) . . .	44,578	5.61%
Nippon Life Insurance Company	43,560	5.48
Japan Trustee Services Bank, Ltd. (Trust account).	28,774	3.62
Takeda Science Foundation	17,912	2.25
MSCO CUSTOMER SECURITIES	15,806	1.99
Japan Trustee Services Bank, Ltd. (Trust account 5)	14,875	1.87
State Street Bank West Client-Treaty 505234	12,968	1.63
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders	11,595	1.46
State Street Bank and Trust Company 505001	10,873	1.37
Japan Trustee Services Bank, Ltd. (Trust account 1)	10,440	1.31
Total	<u>211,383</u>	<u>26.60</u>

Note:

(1) Percentage of issued shares excludes treasury stock held as of September 30, 2018. As of September 30, 2018, we held 10,224,406 shares of common stock as treasury stock, which include 162,380 shares held by us, 9,976,900 shares held in trust for our stock-based compensation plans and 85,126 shares held by equity-method affiliates (based on our ownership percentage in them). The total number of issued shares, less treasury stock, used to calculate percentages in the above table include such shares held in trust or by equity-method affiliates.

Our major shareholders of common stock have the same voting rights as other holders of common stock.

As of September 30, 2018, there were 314,311 record holders of our common stock with addresses in Japan, whose shareholdings represented approximately 66.9% of our outstanding common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in Japan might not fully reflect the number of beneficial owners in Japan.

B. Related Party Transactions.

From time to time, we enter into agreements and engage in transactions with a number of subsidiaries and affiliates in the ordinary course of our business. Takeda has one major affiliate, Teva Takeda Pharma Ltd., to which Takeda sells products and acts as a sales agent. Total transactions with Teva Takeda Pharma Ltd. for the years ended March 31, 2017 and 2018 were ¥15.7 billion and ¥18.2 billion, respectively. The terms and conditions of the related party transactions are entered into on terms consistent with third-party transactions and considering market prices. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Our audited consolidated financial statements are included under “Item 18—Financial Statements”.

Legal Proceedings

Takeda is involved in various legal and administrative proceedings. The most significant matters are described below.

Takeda may become involved in significant legal proceedings for which it is not possible to make a reliable estimate of the expected financial effect, if any, which may result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included herein, but no provision would be made for the cases. Given the inherent unpredictability of litigation, it is possible that an adverse outcome in one or more pending or future litigation matters could have a material adverse effect on our operating results or cash flows.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage. Takeda does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

Legal expenses incurred and charges related to legal claims are recorded in selling, general and administrative expenses line. Provisions are recorded, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, Takeda will record a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. As of March 31, 2018, Takeda’s aggregate provision for legal and other disputes was ¥23.2 billion. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

Takeda’s position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in these consolidated financial statements by a material amount.

Product liability and related claims. Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies. Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated safety issues may become, or be claimed by some to be, evident. Takeda is currently a defendant in a number of product liability lawsuits related to its products. For the product liability lawsuits and related claims, other than those for which provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage. The most significant product liability and related claims are described below.

- *ACTOS:* Takeda has been named as a defendant in lawsuits in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer or other injuries as a result of taking products containing type 2 diabetes treatment pioglitazone (U.S. brand name: *ACTOS*). Eli Lilly and Company (“Lilly”), which co-promoted *ACTOS* in the United States for a period of time, also has been named as a defendant in many of these lawsuits. Under the parties’ co-promotion agreement, Takeda has agreed to defend and indemnify Lilly in the U.S. matters. Outside the U.S., lawsuits and

claims have also been brought by persons claiming similar injuries. In April 2015, Takeda reached an agreement with the lead plaintiffs' lawyers that resolved the vast majority of *ACTOS* product liability lawsuits pending against Takeda and Lilly in the U.S. The settlement covered all bladder cancer claims pending in any U.S. court as of the date of settlement. Also, claimants with unfiled claims in the U.S. represented by counsel as of the date of settlement and within three days thereafter were eligible to participate. The settlement became effective when 95% of litigants and claimants opted-in. In connection with this broad settlement, Takeda has paid \$2.4 billion (¥288 billion) into a qualified settlement fund. Takeda received insurance proceeds totaling ¥58 billion under various policies covering product liability claims against Takeda. Takeda also established reserves for remaining *ACTOS* claims and lawsuits. In addition to remaining product liability claims, the following lawsuits have been filed against Takeda by public and private third-party payors, as well as consumers, seeking damages for alleged economic losses. A purported nation-wide class action lawsuit has been filed federal court in California – the Painters' Fund case – on behalf of third-party payors and consumers seeking, among other things, reimbursement of monies spent on *Actos*. In April 2018, the court dismissed the Painters' Fund Case. Plaintiffs appealed. The States of Mississippi and Louisiana have filed lawsuits against Takeda and Lilly alleging that defendants did not warn about bladder cancer and other risks of *ACTOS*. The lawsuits seek reimbursement of the cost of *ACTOS*, paid by the states on behalf of patients through programs such as Medicaid, and for medical treatment of patients allegedly injured by *ACTOS*, attorneys' fees and expenses, punitive damages and/or penalties. The court granted Takeda's motion to dismiss the Louisiana case, and Louisiana appealed. In October 2018, the appellate court reversed the dismissal. Takeda settled the Mississippi case in November 2018.

- *PREVACID*: As of November 2, 2018, approximately 848 product liability lawsuits involving *PREVACID* and/or *DEXILANT* have been filed against Takeda in U.S. federal and state courts. Under a tolling agreement among the parties, plaintiffs' counsel dismissed more than 2,700 cases against Takeda without prejudice, while plaintiffs' counsel collects information about the proton-pump inhibitor ("PPI") products taken by these claimants. The federal lawsuits are consolidated for pre-trial proceedings in a multi-district litigation in federal court in New Jersey. The plaintiffs allege they developed kidney injuries as a result of taking *PREVACID* or *DEXILANT*, and that Takeda failed to adequately warn them of this potential danger. However, it remains unclear how many of these claimants took Takeda PPI. Similar claims are pending against other manufacturers of drugs in the same PPI class as *PREVACID*, including AstraZeneca, Proctor & Gamble and Pfizer. In Canada, three proposed class actions have been filed in three provinces (Quebec, Ontario and Saskatchewan) by the Merchant Law group. The defendants include Takeda, AstraZeneca, Janssen and several generic manufacturers. It is unclear how many new lawsuits will be filed against Takeda. At this time, a reserve is not probable or estimable.

Intellectual Property. Intellectual property claims include challenges to the validity and enforceability of Takeda's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for Takeda.

- *PREVACID*: In January 2018, Takeda received notice from Zydus that it has amended its application for a generic version of SoluTab. In response, Takeda filed a patent infringement lawsuit against Zydus in the U.S. District Court for the District of New Jersey. Zydus thereafter filed a counterclaim asserting that Takeda's challenge of Zydus' ANDA product violates antitrust laws. Takeda believes the counterclaim is without merit. Subsequently, Zydus sent a paragraph IV notice for an additional patent, and Takeda filed a new lawsuit to address the new patent and dismissed claims asserting other patents based on the information obtained during the discovery process. In June 2009, Apotex filed a lawsuit in Toronto, Canada, against Takeda and Abbott Laboratories ("Abbott") seeking alleged damages for delayed market entry of its generic

lansoprazole capsules due to a prior patent infringement lawsuit against Apotex. Previously, Abbott and Takeda filed a patent infringement lawsuit against Apotex in response to Apotex's regulatory submission to the Canadian Minister of Health seeking permission to market generic lansoprazole capsules before the expiration of various Canadian patents relating to this drug. In September 2008, Abbott and Takeda settled that patent infringement lawsuit against Apotex and Apotex was allowed to begin selling generic lansoprazole capsules in Canada on May 1, 2009. Under the terms of the settlement, Apotex retained its right to seek damages for delayed market entry caused by the lawsuit. Takeda denies that it owes any such damages. Trial is anticipated during the first calendar quarter of 2019.

- *PANTOPRAZOLE*: On January 15, 2016, Mylan filed a suit in the Federal Court against Takeda claiming damages as a result of the dismissal of Takeda's previous PM(NOC) proceeding against Mylan. Mylan claimed damages due to being held-off the market with its generic *PANTOPRAZOLE* magnesium product during the time period of June 27, 2013 until June 15, 2015. The parties settled the lawsuit in May 2018.
- *AMITIZA*: In March 2017, Sucampo (Takeda's licensor, which became a wholly-owned subsidiary of Mallinckrodt plc in February 2018) received a paragraph IV certification directed to *AMITIZA* from Amneal Pharmaceuticals, and in August 2017 received a paragraph IV certification directed to *AMITIZA* from Teva. These parties contend that the patents listed in FDA's Orange Book for *AMITIZA* are invalid and/or not infringed by their ANDA product. In response, Sucampo and Takeda filed patent infringement lawsuits against the parties. In June 2018, the parties settled the lawsuits. Patent litigation against other ANDA filers for *AMITIZA* was previously settled. In September 2018, Takeda received notice that Sun Pharmaceutical Industries Limited has submitted an ANDA with a paragraph IV certification seeking to sell a generic version of Amitiza.
- *TRINTELLIX*: Takeda has received notices from sixteen generic pharmaceutical companies that they have submitted ANDAs with paragraph IV certifications seeking to sell generic versions of *TRINTELLIX*. To date, at least five generic companies are challenging the patents covering the compound, vortioxetine, which expire in 2026. Takeda filed patent infringement lawsuits against the ANDA filers in federal court in Delaware.
- *ENTYVIO*: Roche has filed patent infringement lawsuits against Takeda in Germany, Italy and the U.K. alleging that *ENTYVIO* infringes a Roche patent. Takeda is vigorously defending the lawsuits. Additionally, Takeda filed a lawsuit seeking nullification of Roche's patent in the U.K., and Roche in response filed a patent infringement counterclaim. Takeda also filed a lawsuit against Genentech in state court in Delaware seeking a declaration that Takeda has a license to the Roche patent under the terms of a prior agreement between Takeda and Genentech. Genentech moved to dismiss the lawsuit, and ruling on the motion is pending.
- Other: In addition to the individual patent litigation cases described above, Takeda is party to a number of cases where Takeda has received notices that companies have submitted ANDAs with paragraph IV certifications to sell generic versions of other Takeda products. These include *ULORIC* and Alogliptin products. Takeda has filed patent infringement lawsuits against parties involved in these situations.

Sales, Marketing and Regulation. Takeda has other litigations related to its products and its activities, the most significant of which are described below.

- Antitrust: There have been purported class action lawsuits filed in federal court in New York by several end payors and wholesalers against Takeda alleging anticompetitive conduct to delay generic competition for *ACTOS*. In September 2015, the court granted defendants' motions to dismiss the antitrust claims asserted by the end payors. The end payors appealed this decision to the Federal 2nd Circuit Court of Appeals. The wholesalers' lawsuit had been stayed pending the appellate court's decision in the end payors' lawsuit. In February 2017, the appellate court reversed

in part the dismissal of the end-payors' case and allowed one of plaintiffs' antitrust theories to proceed in the trial court. Specifically, the court ruled that plaintiffs sufficiently alleged that Takeda's characterizations of two patents in the FDA Orange Book were false, and that this resulted in delaying Teva's launch of generic *ACTOS*. Takeda disagrees with these allegations and believes the Orange Book listings were correct. The court, however, affirmed the trial court's dismissal of other antitrust theories. The end payors' case, along with the wholesalers' case, is proceeding in the trial court, where Takeda has filed a motion to dismiss the remaining legal theory.

- Investigation of Patient Assistance Programs: In November 2016, the U.S. Department of Justice (through the U.S. Attorneys' Office in Boston) issued a subpoena to ARIAD, which was acquired by Takeda during the year ended March 31, 2017, seeking information from January 2010 to the present relating to ARIAD's donations to 501(c) (3) co-payment foundations, financial assistance programs, and free drug programs available to Medicare beneficiaries and the relationship between these copayment foundations and specialty pharmacies, hubs or case management programs. ARIAD is cooperating in the investigation.

Dividends

The following table sets forth the dividends paid with respect to each of our fiscal years indicated.

<u>Dividends Declared</u>	<u>Total Dividends (billions of yen)</u>	<u>Dividends per Share (yen)</u>	<u>Basis Date</u>	<u>Effective Date</u>
April 1, 2015 to March 31, 2016				
Q1 2015	¥71.1	¥90.00	March 31, 2015	June 29, 2015
Q3 2015	71.1	90.00	September 30, 2015	December 1, 2015
April 1, 2016 to March 31, 2017				
Q1 2016	71.1	90.00	March 31, 2016	June 30, 2016
Q3 2016	71.1	90.00	September 30, 2016	December 1, 2016
April 1, 2017 to March 31, 2018				
Q1 2017	71.1	90.00	March 31, 2017	June 29, 2017
Q3 2017	71.2	90.00	September 30, 2017	December 1, 2017

Dividends declared for which the effective date fell in the following fiscal year are as follows:

<u>Dividends Declared</u>	<u>Total Dividends (billions of yen)</u>	<u>Dividends per Share (yen)</u>	<u>Basis Date</u>	<u>Effective Date</u>
April 1, 2018 to March 31, 2019				
Q1 2018	¥71.5	¥90.00	March 31, 2018	June 29, 2018

B. Significant Changes.

Except otherwise disclosed in this registration statement on Form 20-F, no significant change has occurred since the date of the annual financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details.

We plan to apply to have our ADSs listed on the NYSE as of the effective date of this registration statement. Each ADSs will represent 0.5 shares of our common stock. Our ADSs are currently traded over the counter under the symbol "TKPYY." Currently, no public market exists for our ADSs.

See Item 9.C of this registration statement for information on the stock exchanges on which our common stock is listed.

B. Plan of Distribution.

Not applicable.

C. Markets.

In Japan, our common stock has been listed since 1949 on the Tokyo Stock Exchange. Our common stock is also listed on the Nagoya Stock Exchange, the Fukuoka Stock Exchange and the Sapporo Securities Exchange. On each of these markets, our common stock trades under the securities identification code “4502.”

Prior to the effectiveness of this registration statement, we will apply to have our ADSs listed on the New York Stock Exchange. The application requires, among others, a listing agreement executed by an executive officer, depositary listing agreement, draft depositary agreement, a draft of this registration statement, a copy of board resolutions authorizing the application to list securities on the NYSE as well as opinion of home country counsel.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

As of March 31, 2018, we had an authorized share capital of 3,500,000,000 shares of common stock, with no par value. As of the same date, 794,688,295 shares of our common stock were issued. All issued shares are fully-paid and non-assessable.

Of our issued shares of common stock, as of March 31, 2018, we held 13,379,133 shares as treasury stock, with an aggregate book value of ¥74.3 billion, including 161,031 shares held directly by us, 13,132,976 thousand shares held in trust for our stock-based compensation plans and 85,126 thousand shares held by our equity-method affiliates. In calculating the number of treasury stock, the number of shares of our common stock owned by equity-method affiliates is multiplied by our equity ownership percentage in the relevant equity-method affiliate.

The table below shows our share capital as of March 31, 2018:

<u>Class of share capital</u>	<u>Authorized shares</u>	<u>Issued shares</u>
Common stock	3,500,000,000	794,688,295

The table below shows our history of share capital in the fiscal years ended March 31, 2016, 2017 and 2018:

<u>Issue date or period</u>	<u>Type of issue or repurchase</u>	<u>Number of shares issued or repurchased</u>	<u>Number of shares after issue or repurchase</u>
		(thousands of shares)	
Fiscal year ended March 31, 2016	Exercise of stock options	361	790,284
Fiscal year ended March 31, 2017	Exercise of stock options	237	790,521
Fiscal year ended March 31, 2018	Exercise of stock options	617	791,138
	Issuance of shares to trustee for Employee Stock Ownership Plan Trust	3,550	794,688

B. Memorandum and Articles of Association.

We are a joint-stock corporation incorporated in Japan under the Companies Act. The rights of our shareholders are represented by shares of our common stock as described below, and shareholders’ liability is limited to the amount of subscription for such shares. As of March 31, 2018, our authorized share capital consisted of 3,500,000,000 shares of common stock of which 794,688,295 shares were issued.

Only the holders of our common stock will be entitled to the shareholder rights described below. In order to exercise the rights described below, holders of our ADSs will be required to withdraw their ADSs in favor of shares of our common stock in order to exercise their rights as shareholders.

Book-Entry Transfer System

The Japanese book-entry transfer system for listed shares of Japanese companies under the Book-Entry Act of Japan (the “Book-Entry Act”) applies to the shares of our common stock. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized. Under the book-entry transfer system, in order for any person to hold, sell or otherwise dispose of listed shares of Japanese companies, they must have an account at an account management institution unless such person has an account at Japan Securities Depository Center, Incorporated (“JASDEC”). “Account management institutions” are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet the further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC.

The following description of the book-entry transfer system assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee’s account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders’ rights against us, the transferee must have its name and address registered in the register of our shareholders, except in limited circumstances. Under the book-entry transfer system, such registration is generally made upon receipt of an all shareholders notice (*soukabunushi tsuchi*) (as described in “— Register of Shareholders”) from JASDEC. For this purpose, shareholders are required to file their names and addresses with our transfer agent through the account management institution and JASDEC. See “— Register of Shareholders” for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of its standing proxy or a mailing address to the

relevant account management institution. Such notice will be forwarded to our transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to the standing proxies or mailing addresses.

Register of Shareholders

Under the book-entry transfer system, the registration of names, addresses and other information of shareholders in the register of our shareholders will be made by us upon the receipt of an all shareholders notice (with the exception that in the event of the issuance of new shares, we will register the names, addresses and other information of our shareholders in the register of our shareholders without an all shareholders notice from JASDEC) given to us by JASDEC, which will give us such all shareholders notice based on information provided by the account management institutions. Such all shareholders notice will be made only in cases prescribed under the Book-Entry Act such as when we fix the record date and when we make a request to JASDEC with any justifiable reason. Therefore, a shareholder may not assert shareholders' rights against us immediately after such shareholder acquires our shares, unless such shareholder's name and address are registered in the register of our shareholders upon our receipt of an all shareholders notice; provided, however, that, in respect of the exercise of rights of minority shareholders as defined in the Book-Entry Act, a shareholder may exercise such rights upon giving us an individual shareholder notice (*kobetsukabunushi tsuchi*) through JASDEC only during a certain period prescribed under the Book-Entry Act.

Distribution of Surplus

Under the Companies Act, the distribution of dividends takes the form of distribution of Surplus (as defined in “—Restriction on Distribution of Surplus”), and a distribution of Surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a joint-stock corporation to make distributions of Surplus authorized by a resolution of a general meeting of shareholders. However, in accordance with the Companies Act, our Articles of Incorporation provide that the board of directors has the authority to make decisions regarding distributions of Surplus, except for limited exceptions, as provided by the Companies Act, as long as the company that has both of an independent auditor and an audit and supervisory committee satisfies the following requirements:

- (a) the normal term of office of directors who are not audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election (our Articles of Incorporation currently satisfies this requirement); and
- (b) its non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present its assets and profit or loss, as required by the ordinances of the Ministry of Justice.

A resolution of a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or the board of directors, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders. See “— Voting Rights” for more details regarding a special resolution. Our Articles of Incorporation provide that we are relieved of our obligation to pay any distributions in cash that go unclaimed for three years after the date they first become payable.

Restriction on Distribution of Surplus

Under the Companies Act, we may distribute Surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of such distribution, if our net assets are not less than ¥3,000,000:

- (a) the amount of Surplus, as described below;
- (b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net profit for such period described in the statement of income constituting the extraordinary financial statements, and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;
- (c) the book value of our treasury stock;
- (d) in the event that we disposed of treasury stock after the end of the previous fiscal year, the amount of consideration that we received for such treasury stock;
- (e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of income constituting the extraordinary financial statements; and
- (f) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of share capital, additional paid-in capital and legal earnings reserve, each such amount as it appears on the balance sheet as of the end of the previous fiscal year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, the amount of “Surplus” is the excess of the aggregate of (I) through (IV) below, less the aggregate of (V) through (VII) below:

- (I) the aggregate of other capital surplus and other retained earnings at the end of the previous fiscal year;
- (II) in the event that we disposed of treasury stock after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
- (III) in the event that we reduced our share capital after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or legal earnings reserve (if any);
- (IV) in the event that we reduced additional paid-in capital and/or legal earnings reserve after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to share capital (if any);
- (V) in the event that we cancelled treasury stock after the end of the previous fiscal year, the book value of such treasury stock;
- (VI) in the event that we distributed Surplus after the end of the previous fiscal year, the aggregate of the following amounts:
 - (1) the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive dividends in cash instead of dividends in kind;
 - (2) the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and
 - (3) the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive dividends in kind;

(VII) the aggregate amounts of (1) through (4) below, less (5) and (6) below:

- (1) in the event that the amount of Surplus was reduced and transferred to additional paid-in capital, legal earnings reserve and/or share capital after the end of the previous fiscal year, the amount so transferred;
- (2) in the event that we distributed Surplus after the end of the previous fiscal year, the amount set aside in additional paid-in capital and/or legal earnings reserve;
- (3) in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
- (4) in the event that the amount of Surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the previous fiscal year, the amount so reduced;
- (5) in the event of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the aggregate amount of (i) the amount of other capital surplus after such merger, corporate split or share exchange, less the amount of other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of other retained earnings after such merger, corporate split or share exchange, less the amount of other retained earnings before such merger, corporate split or share exchange; and
- (6) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed for newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the previous fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the “ex-dividend” date and the record date for any distribution of Surplus come before the date a company determines the amount of distribution of Surplus to be paid.

For information as to Japanese taxes on dividends, please refer to “Taxation — Japanese Taxation.”

Capital and Reserves

Under the Companies Act, the paid-in amount of any newly-issued shares of stock is required to be accounted for as share capital, although we may account for an amount not exceeding one-half of such paid-in amount as additional paid-in capital. We may generally reduce additional paid-in capital and/or legal earnings reserve by resolution of a general meeting of shareholders, subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as share capital. We may generally reduce share capital by a special resolution of a general meeting of shareholders subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as additional paid-in capital or legal earnings reserve.

Stock Splits

Under the Companies Act, we may at any time split shares in issue into a greater number of the same class of shares by a resolution of the board of directors or by determination of an individual director to whom the

authority to make such determination has been delegated by resolution of the board of directors. A company that has issued only one class of shares may amend its articles of incorporation to increase the number of the authorized shares to be issued up to a number in proportion to the stock split by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, rather than a special resolution of a general meeting of shareholders, which is otherwise required for amending the articles of incorporation. When a stock split is to be made, we must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to such record date.

Under the book-entry transfer system, on the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions will be increased in accordance with the applicable ratio.

Gratuitous Allocations

Under the Companies Act, we may allot any class of shares to our existing shareholders without any additional contribution by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors; provided that although our treasury stock may be allotted to our shareholders, any allotment of shares will not accrue to shares of our treasury stock.

When a gratuitous allocation is to be made and we set a record date therefor, we must give public notice of the gratuitous allocation, specifying the record date therefor, at least two weeks prior to the record date.

Under the book-entry transfer system, on the effective date of the gratuitous allocation, the number of shares of our common stock recorded in accounts held by our shareholders at account management institutions will be increased in accordance with a notice from us to JASDEC.

Reverse Stock Split

Under the Companies Act, we may at any time consolidate our shares into a smaller number of shares by a special resolution of the general meeting of shareholders. We must disclose the reason for the reverse stock split at the general meeting of shareholders. When a reverse stock split is to be made, we must give public notice of the reverse stock split, at least two weeks (or, in certain cases where any fractions of shares are left as a result of a reverse stock split, 20 days) prior to the effective date of the reverse stock split.

Under the book-entry transfer system, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions will be decreased in accordance with the applicable ratio.

Unit Share System

General

Our Articles of Incorporation provide that 100 shares constitute one “unit” of common stock. Our board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors is permitted to reduce the number of shares that will constitute one unit or to abolish the unit share system entirely by amending our Articles of Incorporation, without shareholders’ approval, with public notice without delay after the effective date of such amendment.

Transferability of Shares Constituting Less Than One Unit

Under the book-entry transfer system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

Voting Rights of a Holder of Shares Constituting Less Than One Unit

A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more full units will have one vote for each full unit represented.

A holder of shares constituting less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a request for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose a matter to be included in the agenda of a general meeting of shareholders.

Rights of a Holder of Shares Constituting Less Than One Unit to Require Us to Purchase Shares and to Sell Shares

Under the Companies Act, a holder of shares constituting less than one full unit may at any time request that we purchase such shares. In addition, our Articles of Incorporation provide that, pursuant to our Share Handling Regulations, a holder of shares constituting less than one full unit has the right to request that we sell to such holder such number of shares constituting less than one full unit which, when added to the shares constituting less than one full unit currently owned by such holder, will constitute one full unit.

Under the book-entry system, such a request must be made to us through the relevant account managing institution. The price at which shares of common stock constituting less than one unit will be purchased or sold by us pursuant to such a request will be equal to (a) the closing price of shares of our common stock reported by the Tokyo Stock Exchange on the day when the request is received by our transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of shares of our common stock is executed on such stock exchange immediately thereafter.

General Meeting of Shareholders

Our ordinary general meeting of shareholders is usually held every June in Osaka, Japan. The record date for an ordinary general meeting of shareholders is March 31 of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

Notice of convocation of a general meeting of shareholders setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

Any shareholder or group of shareholders holding at least 3% of the total number of voting rights for a period of six months or more may require, with an individual shareholder notice (as described in “— Register of Shareholders”), the convocation of a general meeting of shareholders for a particular purpose. Unless such general meeting of shareholders is convened without delay or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such general meeting of shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or 1% of the total number of voting rights for a period of six months or more may propose a matter to be included in the agenda of a general meeting of shareholders, and may propose to describe such matter together with a summary of the proposal to be submitted by such shareholder in a convocation notice to our shareholders, by submitting a request to a director at least eight weeks prior to the date set for such meeting, with an individual shareholder notice (as described in “— Register of Shareholders”).

The Companies Act enables a company to amend its articles of incorporation in order to loosen the requirements for the number of shares held and shareholding period, as well as the period required for dispatching a convocation notice or submission of requests, all of which are required for any shareholder or group of shareholders to request the convocation of a general meeting of shareholders or to propose a matter to be included in the agenda of a general meeting of shareholders. Our Articles of Incorporation do not provide for loosening such requirements.

Voting Rights

A shareholder of record is entitled to one vote per unit (100 shares) of common stock, except that neither we nor any corporation, partnership or other similar entity in which we hold, directly or indirectly, 25% or more of the voting rights shall exercise any voting rights in respect of shares held by us or such entity, as the case may be. Except as otherwise provided by law or by our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of our shareholders having voting rights. The Companies Act and our Articles of Incorporation provide that the quorum for the election of directors is one-third of the total number of voting rights. Our Articles of Incorporation provide that the shares may not be voted cumulatively for the election of directors.

The Companies Act provides that a special resolution of the general meeting of shareholders is required for certain significant corporate transactions, including:

- any amendment to our Articles of Incorporation (except for amendments that may be made without the approval of shareholders under the Companies Act);
- a reduction of share capital, subject to certain exceptions under which a shareholders' resolution is not required, such as a reduction of share capital for the purpose of replenishing capital deficiencies;
- transfer of the whole or a part of our equity interests in any of our subsidiaries, subject to certain exceptions under which a shareholders' resolution is not required;
- a dissolution, merger or consolidation, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a substantial part of our business, subject to certain exceptions under which a shareholders' resolution is not required;
- the taking over of the whole of the business of any other corporation, subject to certain exceptions under which a shareholders' resolution is not required;
- a corporate split, subject to certain exceptions under which a shareholders' resolution is not required;
- a share exchange (*kabushiki kokan*) or share transfer (*kabushiki iten*) for the purpose of establishing 100% parent-subsidiary relationships, subject to certain exceptions under which a shareholders' resolution is not required;
- any issuance of new shares or transfer of existing shares held by us as treasury stock at a "specially favorable" price and any issuance of stock acquisition rights or bonds with stock acquisition rights at a "specially favorable" price or on "specially favorable" conditions to any persons other than shareholders;
- any acquisition by us of our own shares from specific persons other than our subsidiaries;
- reverse stock split; or
- the removal of directors who are audit and supervisory committee members.

Except as otherwise provided by law or in our Articles of Incorporation, a special resolution of the general meeting of shareholders requires the approval of the holders of at least two-thirds of the voting rights of all shareholders present or represented at a meeting where a quorum is present. Our Articles of Incorporation provide that a quorum exists when one-third of the total number of voting rights is present or represented.

Liquidation Rights

If we are liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among shareholders in proportion to the number of shares they hold.

Rights to Allotment of Shares

Holders of shares of our common stock have no pre-emptive rights. Authorized but unissued shares may be issued at the times and on the terms as the board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors determines, so long as the limitations with respect to the issuance of new shares at “specially favorable” prices (as described in “— Voting Rights”) are observed. Our board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors may, however, determine that shareholders shall be given rights to allotment regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all holders of the shares as of a record date for which not less than two weeks’ prior public notice must be given. Each shareholder to whom such rights are given must also be given notice of the expiration date thereof at least two weeks prior to the date on which such rights expire. The rights to allotment of new shares may not be transferred. However, the Companies Act enables us to allot stock acquisition rights to shareholders without consideration therefor, and such stock acquisition rights are transferable. See “— Stock Acquisition Rights” below.

In cases where a particular issuance of new shares (i) violates laws and regulations or our Articles of Incorporation, or (ii) will be performed in a manner materially unfair, and shareholders may suffer disadvantages therefrom, such shareholders may file an injunction with a court of law to enjoin such issuance.

Stock Acquisition Rights

Subject to certain conditions and to the limitations on issuances at a “specially favorable” price or on “specially favorable” conditions described in “— Voting Rights,” we may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*) by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as set forth in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, we will be obligated either to issue the relevant number of new shares or, alternatively, to transfer the necessary number of shares of treasury stock held by us.

Record Date

The record date for annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of our shareholders is March 31. The record date for interim dividends is September 30.

In addition, by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks’ prior public notice.

Under the rules of JASDEC, we are required to give notice of each record date to JASDEC promptly after setting such record date. JASDEC is required to promptly give us notice of the names and addresses of the holders of shares of our common stock, the number of shares of our common stock held by them and other relevant information as at each record date.

Purchase of Our Own Shares

Under the Companies Act and our Articles of Incorporation, we may acquire our own shares:

- by purchase on any stock exchange on which our shares are listed or by way of tender offer, pursuant to a resolution of our board of directors subject to certain requirements;
- by purchase from a specific party other than any of our subsidiaries, pursuant to a special resolution of a general meeting of shareholders; and
- by purchase from any of our subsidiaries, pursuant to a resolution of the board of directors or determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors.

If we acquire our own shares from a specific party other than any of our subsidiaries as specified above at a price higher than the greater of (i) (a) the closing price of the shares at the market trading such shares on the day immediately preceding the day on which the relevant special resolution of a general meeting of shareholders is made or (b) if no sale takes place at such market on that day, the price at which the sale of the shares is effected on such market immediately thereafter and (ii) in the event that such shares are subject to a tender offer, the price set in the contract regarding such tender offer on that day, shareholders may request that we include him or her as the seller of his or her shares in the proposed purchase. Any such acquisition of shares must satisfy certain requirements, such as that we may only acquire our own shares in an aggregate amount up to the amount that we may distribute as Surplus. See “— Distribution of Surplus” above for more details regarding this amount.

Our own shares acquired by us may be held by us as treasury stock for any period or may be cancelled by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors. We may also transfer the shares held by us to any person, subject to a resolution of the board of directors or determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in “— Rights to Allotment of Shares” above. We may also utilize our treasury stock (x) for the purpose of transfer to any person upon exercise of stock acquisition rights or (y) for the purpose of acquiring another company by way of merger, share exchange, or corporate split through exchange of treasury stock for shares or assets of the acquired company.

Request by Controlling Shareholder to Sell All Shares

Under the Companies Act and our Articles of Incorporation, in general, a shareholder holding 90% or more of our voting rights, directly or through wholly-owned subsidiaries, shall have the right to request that all other shareholders other than us (and all other holders of stock acquisition rights other than us, as the case may be) sell all shares (and all stock acquisition rights, as the case may be) held by them with our approval, which must be made by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors (*kabushiki tou uriwatashi seikyū* or a “Share Sales Request”). In order to make a Share Sales Request, such controlling shareholder will be required to issue a prior notice to us. If we approve such Share Sales Request, we will be required to make a public notice to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days before the effective date of such sales.

Sale by Us of Shares Held by Shareholders Whose Addresses Are Unknown

Under the Companies Act, we are not required to send a notice to a shareholder if notices to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such shareholder in the register of our shareholders or at the address otherwise notified to us.

In addition, we may sell or otherwise dispose of the shares held by a shareholder whose location is unknown. Generally, if

- notices to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in the register of our shareholders or at the address otherwise notified to us, and
- the shareholder fails to receive distribution of Surplus on the shares for a continuous period of five or more years at the address registered in the register of our shareholders or at the address otherwise notified to us,

we may sell or otherwise dispose of the shareholder's shares at the market price after giving at least three months' prior public and individual notices, and hold or deposit the proceeds of such sale or disposal for the shareholder.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan and its related regulations require any person who has become beneficially, solely or jointly, a holder of more than 5% of total issued shares of our common stock, to file with the director of a relevant local finance bureau of the Ministry of Finance within five business days a report concerning such shareholdings. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in any such holdings or any change in material matters set out in reports previously filed. For this purpose, shares of our common stock issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of our shares held by the holder and our total issued shares.

C. *Material Contracts.*

ARIAD

In connection with our acquisition of ARIAD, on January 8, 2017, we entered into an Agreement and Plan of Merger (the "Agreement and Plan of Merger") with ARIAD and Kiku Merger Co., Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Takeda ("Merger Sub"). Pursuant to the agreement, Takeda agreed to cause Merger Sub to commence a tender offer to purchase any and all of the shares of common stock, par value \$0.001 per share, of ARIAD issued and outstanding, at a price per share of \$24.00, to the seller in cash, net of applicable withholding taxes and without interest, on the terms and subject to the conditions in the Agreement and Plan of Merger. Following consummation of the tender offer, Merger Sub was merged with and into ARIAD, with ARIAD surviving as an indirect wholly-owned subsidiary of Takeda. The tender offer for all of the outstanding shares of ARIAD common stock expired as scheduled on February 15, 2017 and Takeda completed its acquisition of ARIAD without a vote of ARIAD's shareholders pursuant to Section 251(h) of the Delaware General Corporation Law on February 16, 2017. The Agreement and Plan of Merger is filed as an exhibit hereto.

For a description of the effect of the acquisition of ARIAD on our financial condition and results of operations, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Impact of the ARIAD Acquisition."

TiGenix NV

In connection with our acquisition of TiGenix NV, on January 5, 2018, we entered into an Offer and Support Agreement (the "Offer and Support Agreement") with TiGenix NV, whereby we commenced an all cash

voluntary and conditional public takeover bid for 100% of the securities with voting rights or giving access to voting rights of TiGenix NV that are not already owned by Takeda or its affiliates, at a price of €1.78 per share in cash and an equivalent price for the ADSs, warrants to acquire shares and 9% senior unsecured convertible bonds due March 6, 2018 of TiGenix NV. On July 31, 2018, we acquired all outstanding ordinary shares as well as the ADSs and warrants of TiGenix NV following the expiration of the squeeze-out period and TiGenix NV became a wholly-owned subsidiary of Takeda. The Offer and Support Agreement is filed as an exhibit thereto.

Shire

In connection with the Shire Acquisition, on May 8, 2018, we entered into a Co-operation Agreement with Shire, governing certain matters leading to the closing of the Shire Acquisition. On the same date, we entered into the Bridge Credit Agreement totaling commitments of \$30.85 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. On June 8, 2018, we entered into the Term Loan Credit Agreement for an aggregate principal amount of \$7.5 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. and Mizuho Bank, Ltd., and on the same date entered into Amendment No. 1 to the Bridge Credit Agreement to make certain technical changes thereto. On October 26, 2018, we entered into the SSTL with an aggregate commitment of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, and on the same date entered into Amendment No. 2 to the Bridge Credit Agreement to make certain technical changes thereto. On October 26, 2018, we also entered into the Subordinated Loan Agreement, with aggregate commitments of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, which may be used, at our option to refinance all or a portion of the borrowings under the SSTL following the completion of the Shire Acquisition. On November 21, 2018, we entered into a Fiscal Agency Agreement with MUFG Bank, Ltd., as Fiscal Agent, under which we issued a total aggregate principal amount of €7.5 billion of senior notes on the same day. On November 26, 2018, we entered into an Indenture with MUFG Union Bank, N.A., as Trustee, under which we issued a total aggregate principal amount of \$5.5 billion of senior notes on the same day. On December 3, 2018, we entered into the JBIC Loan with the Japan Bank for International Cooperation, for an aggregate principal amount of up to \$3.7 billion.

The Co-operation Agreement, the Bridge Credit Agreement, Amendments No. 1 and 2 thereto, the Term Loan Credit Agreement, the SSTL, the Fiscal Agency Agreement, the Indenture and the JBIC Loan are filed as exhibits hereto. An English-language translation of the Subordinated Loan Agreement is also filed as an exhibit hereto.

For a description of the agreements mentioned above as well as the effect of the Shire Acquisition on our financial condition and results of operations, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Financial Impact of the Shire Acquisition.”

Licensing and Collaboration Agreements

In the ordinary course of our business, we enter into agreements for licensing or collaboration in the development and commercialization of products. Our business does not materially depend on any one of these agreements. Instead, they overall form a portion of our strategy to leverage a mix of internal and external resources to develop and commercialize new products. Certain of the agreements which have led to successful commercialization to date are summarized in “Item 4. Information on the Company—B. Business Overview—Clinical Development Programs—Licensing and Collaboration Agreements.” Our Licensing and Collaboration Agreement with Seattle Genetics, Inc. is filed as an exhibit hereto to provide investors with an example of one such agreement. We believe this agreement is representative of our licensing and collaboration agreements for marketed products in that it provides for the payment of development and commercial milestone payments and sales-based royalties and sets forth the parties’ responsibilities relating to the terms of co-development, co-manufacturing and co-marketing efforts, as well as providing for geographic limitations and limitations on term for the relevant licensing and collaboration efforts. The specific terms of each of our licensing or collaboration agreements are negotiated individually. Agreements for compounds still in development may have additional terms governing, for example, equity investments or other capital relationships.

D. Exchange Controls.

The Foreign Exchange and Foreign Trade Act of Japan and related cabinet orders and ministerial ordinances, which we refer to collectively as the Foreign Exchange Regulations, govern certain aspects relating to the acquisition and holding of shares by “exchange non-residents” and by “foreign investors” (as these terms are defined below). It also applies in some cases to the acquisition and holding of ADSs representing shares of our common stock acquired and held by exchange non-residents and by foreign investors. In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell shares or ADSs outside Japan using currencies other than Japanese yen.

Exchange residents are defined in the Foreign Exchange Regulations as:

- (i) individuals who reside within Japan; or
- (ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan; or
- (ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

- (i) individuals who do not reside in Japan;
- (ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan;
- (iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above; or
- (iv) corporations or other entities having a majority of either (A) directors or other persons equivalent thereto or (B) directors or other persons equivalent thereto having the power of representation who are non-resident individuals.

Acquisition of Shares

Acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

- (i) the aggregate purchase price of the relevant shares is ¥100 million or less;
- (ii) the acquisition is effected through any bank, financial instruments business operator or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or
- (iii) the acquisition constitutes an “inward direct investment” described below.

Inward Direct Investment in Shares of Listed Corporations

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange, such as the shares of our common stock, or that is traded on an over-the-counter market in Japan and, as a result

of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, such acquisition constitutes an “inward direct investment” and the foreign investor in general must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month immediately following the month to which the date of such acquisition belongs. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese company is engaged in certain businesses designated by the Foreign Exchange Regulations (including the manufacturing of biological preparations), a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers (including the Minister of Health, Labour and Welfare). The proposed acquisition may not be consummated until 30 days have passed from the date of filing of such notification, although this period will be shortened to two weeks unless such Ministers deem it necessary to review the proposed acquisition. The relevant Ministers may extend the screening period up to five months if they deem it necessary to review the proposed acquisition and may recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition.

Acquisition of shares by foreign investors by way of stock split is not subject to any of the foregoing notification or reporting requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

E. Taxation.

Material U.S. Federal Income Tax Consequences

This section describes the material United States federal income tax consequences of owning ADSs. It applies to you only if you are a U.S. holder (as defined below) and you hold your ADSs as capital assets for tax purposes. This discussion addresses only United States federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that holds ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention Between the Government of the United States of America and the Government of Japan for the

Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Treaty”). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement will be performed in accordance with its terms.

If an entity or arrangement that is treated as a partnership for United States federal income tax purposes holds the ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the ADSs.

You are a U.S. holder if you are a beneficial owner of ADSs and you are for United States federal income tax purposes:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local tax consequences of owning and disposing of ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

The tax treatment of your ADSs will depend in part on whether or not we are classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. Except as discussed below under “—PFIC Rules”, this discussion assumes that we are not classified as PFIC for United States federal income tax purposes.

Distributions. Under the United States federal income tax laws, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes), other than certain pro-rata distributions of our shares, will be treated as a dividend that is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends that we distribute with respect to the ADSs will be qualified dividend income if the ADSs are readily tradable on an established securities market in the United States in the year that we distribute the dividend. Our ADSs will be listed on the NYSE, in which case the ADSs will be treated as readily tradable on an established securities market in the United States. We therefore expect that dividends that we distribute on our ADSs will be qualified dividend income.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when the depositary receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in income will be the U.S. dollar value of the yen payments made, determined at the spot yen/U.S. dollar rate on the date the depositary actually or constructively receives the dividend, even if the depositary (a) converts the yen into U.S. dollars at a different rate or (b) does not convert the dividend payment into U.S. dollars. If the depositary converts the yen into U.S. dollars at a different rate, then you will recognize U.S. source ordinary income (that would not be treated as qualified

dividends) or loss equal to the difference between the U.S. dollars that you receive and the U.S. dollar amount that you included as dividend income. If the depositary does not convert the dividend payment into U.S. dollars, then you will recognize U.S. source ordinary income (that would not be treated as qualified dividends) or loss upon a conversion of the yen into U.S. dollars equal to the difference between the U.S. dollars that you receive in the conversion and the U.S. dollar amount that you included as dividend income.

Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a reduction or refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax withheld that could have been reduced or that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will generally be income from sources outside the United States and will generally be “passive” income for purposes of computing the foreign tax credit allowable to you. However, if (a) we are 50% or more owned, by vote or value, by United States persons and (b) at least 10% of our earnings and profits are attributable to sources within the United States, then for foreign tax credit purposes, a portion of our dividends would be treated as derived from sources within the United States. With respect to any dividend paid for any taxable year, the United States source ratio of our dividends for foreign tax credit purposes would be equal to the portion of our earnings and profits from sources within the United States for such taxable year, divided by the total amount of our earnings and profits for such taxable year.

Distributions of additional shares to you with respect to ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

Capital Gains. If you are a U.S. holder and you sell or otherwise dispose of your ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules. We believe that ADSs should not currently be treated as stock of a PFIC for United States federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs:

- at least 75% of our gross income for the taxable year is passive income or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

“Passive income” generally includes dividends, interest, gains from the sale or exchange of investment property, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or

business) and certain other specified categories of income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will generally be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ADSs and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in the ADSs begins, that are greater than 125% of the average annual distributions received by you in respect of the ADSs during the three preceding taxable years or, if shorter, your holding period for the ADSs that preceded the taxable year in which you receive the distribution).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution or to prior years before the first year in which we were a PFIC with respect to you will be taxed as ordinary income,
- the amount allocated to each other prior year will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If we are a PFIC in a taxable year and our ADSs are treated as "marketable stock" in such year, you may make a mark-to-market election with respect to your ADSs. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ADSs at the end of the taxable year over your adjusted basis in your ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ADSs will be adjusted to reflect any such income or loss amounts. Any gain that you recognize on the sale or other disposition of your ADSs would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

Your ADSs will generally be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ADSs, even if we are not currently a PFIC.

In addition, notwithstanding any election you make with regard to the ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service ("IRS") Form 8621.

Japanese Taxation

The following is a general summary of the principal Japanese tax consequences (limited to national tax) to owners of shares of our common stock, in the form of shares or ADSs, who are non-resident individuals of Japan or who are non-Japanese corporations without a permanent establishment in Japan, collectively referred to in this section as non-resident holders. The statements below regarding Japanese tax laws are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as of the date of this registration statement, and are subject to changes in applicable Japanese laws, tax treaties, conventions or agreements, or in the interpretation of them, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock, including, specifically, the tax consequences under Japanese law, under the laws of the jurisdiction of which they are resident and under any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisors.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares or ADSs will be subject to Japanese income tax collected by way of withholding on dividends (meaning in this section distributions made from our retained earnings for the Companies Act purposes) we pay with respect to shares of our common stock and such tax will be withheld prior to payment of dividends. Stock splits generally are not subject to Japanese income or corporation taxes.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of the Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% (or 20% for dividends due and payable on or after January 1, 2038) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation (to whom the aforementioned withholding tax rate will still apply), the aforementioned withholding tax rate is reduced to (i) 15.315% for dividends due and payable up to and including December 31, 2037 and (ii) 15% for dividends due and payable on or after January 1, 2038. The withholding tax rates described above include the special reconstruction surtax (2.1% multiplied by the original applicable withholding tax rate, i.e., 15% or 20%, as the case may be), which is imposed during the period from and including January 1, 2013 to and including December 31, 2037, to fund the reconstruction from the Great East Japan Earthquake.

If distributions were made from our capital surplus, rather than retained earnings, for the Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of shares and subject to the same tax treatment as sale of shares of our common stock as described below. Distributions made in consideration of repurchase by us of our own shares or in connection with certain reorganization transactions will be treated substantially in the same manner.

Japan has income tax treaties whereby the withholding tax rate (including the special reconstruction surtax) may be reduced, generally to 15%, for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, while the income tax treaties with, among others, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the United Arab Emirates, the United Kingdom and the United States generally reduce the withholding tax rate to

10% for portfolio investors. In addition, under the income tax treaty between Japan and the United States, dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by the pension funds. Similar treatment is applicable to dividends paid to pension funds under the income tax treaties between Japan and the Netherlands, Switzerland and the United Kingdom. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the second preceding paragraph with respect to the dividends to be paid by us on our shares or ADSs.

Non-resident holders of our shares who are entitled under an applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on any dividends on our shares, in general, are required to submit, through the withholding agent to the relevant tax authority prior to the payment of dividends, an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends together with any required forms and documents. A standing proxy for a non-resident holder of shares of our common stock or ADSs may be used in order to submit the application on a non-resident holder's behalf. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of reduction of or exemption from Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock, together with any required forms or documents. If the depositary needs investigation to identify whether any non-resident holders of ADSs are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax, the depositary or its agent submits an application form before payment of dividends so that the withholding cannot be made in connection with such holders for eight months after the record date concerning such payment of dividends. If it is proved that such holders are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax within the foregoing eight-month period, the depositary or its agent submits another application form together with certain other documents so that such holder can be subject to exemption from or reduction of Japanese withholding tax. To claim this reduced rate or exemption, such non-resident holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depositary. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. We do not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be eligible under an applicable tax treaty but who do not follow the required procedures as stated above.

Gains derived from the sale of our shares or ADSs outside Japan by a non-resident holder that is a portfolio investor will generally not be subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired from another individual our shares or ADSs as a legatee, heir or donee, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

F. Dividends and Paying Agents.

Under our Articles of Incorporation, the record date for annual dividends is March 31 and the record date for interim dividends is September 30. Annual dividends and interim dividends can be declared through the resolutions of the board of directors.

Dividends payable to non-resident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are generally subject to Japanese withholding tax. See "Item 10. Additional Information—E. Taxation—Japanese Taxation."

G. Statement by Experts.

The consolidated financial statements of Takeda as of March 31, 2018 and 2017, and for each of the years in the three-year period ended March 31, 2018, have been included in this registration statement in reliance upon the report of KPMG AZSA LLC, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. See also Item 1. C and Exhibit 15.1 to this registration statement.

The consolidated financial statements of Shire plc as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, included in this registration statement, and the related financial statement schedule, have been audited by Deloitte LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in this registration statement. Such financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. See also Exhibit 15.2 to this registration statement.

Independence of KPMG AZSA LLC

During the fiscal year ended March 31, 2018, member firms of KPMG International Cooperative provided legal services, corporate secretarial services and human resources services to certain of our subsidiaries as well as otherwise permissible non-audit services under a contingent fee arrangement to one of our subsidiaries, which are prohibited under SEC independence rules. Such services and contingent fee arrangement were terminated before the engagement letter for the PCAOB audit was executed. Fees for these services were insignificant to the respective entities and to KPMG. The KPMG engagement teams that performed the impermissible services and services that had an impermissible fee arrangement did not participate in the audit of our consolidated financial statements.

While providing these non-audit services is not permitted under SEC independence rules, KPMG AZSA LLC has advised our management and our audit and supervisory committee that these services do not impact the firm's ability to apply objective and impartial judgment on all matters encompassed within its audit of us for the fiscal year ended March 31, 2018. Our audit and supervisory committee concurs that these non-audit services do not impact the firm's ability to apply objective and impartial judgment on all matters encompassed within its audit of us for the fiscal year ended March 31, 2018.

H. Documents on Display.

We have filed with the SEC on this registration statement on Form 20-F under the Exchange Act with respect to the ADSs. You may review a copy of this registration statement without charge at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also get copies of all or any portion of this registration statement from the public reference room, the regional offices or by calling the SEC at 1-800-SEC-0330 or by writing the SEC upon payment of a prescribed fee.

Upon effectiveness of this registration statement, we will be subject to the information requirements of the Exchange Act and, in accordance therewith, we will file annual reports on Form 20-F and furnish other reports and information on Form 6-K with the SEC. These reports and other information can be inspected at the public reference room at the SEC listed above. You can also obtain copies of such material from the public reference room, the regional offices or by calling or writing the SEC upon payment of a prescribed fee. The SEC also maintains a web site at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks primarily from changes in foreign currency exchange rates, interest rate changes and changes in the value of our investment securities. The information required under this Item 11 is set forth in Note “27. Financial Instruments” to the accompanying consolidated financial statements of Takeda.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Bank of New York Mellon, as depositary, will register and deliver the ADSs. Each ADS represents one-half of one share of our common stock deposited with Sumitomo Mitsui Banking Corporation, as custodian for the depositary in Japan. Each ADS will also represent any other securities, cash or other property which may be held by the depositary from time to time. The deposited shares of our common stock, together with any other securities, cash or other property held by the depositary are referred to as the “deposited securities.” The depositary’s office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

Holders of ADSs may hold ADSs either: (i) directly (a) by having an ADR, which is a certificate evidencing a specific number of ADSs, registered in their name, or (b) by having uncertificated ADSs registered in their name; or (ii) indirectly by holding a security entitlement in ADSs through a broker or other financial institution that is a direct or indirect participant in DTC. Holders of ADSs who hold ADSs directly are registered ADS holders, also referred to as “ADS holders.” This description applies to such registered ADS holders only. If a holder of ADSs holds the ADSs indirectly, he or she must rely on the procedures of his or her broker or other financial institution to assert the rights of ADS holders described herein. Holders of ADSs who hold their ADSs indirectly should consult with their respective brokers or financial institutions to determine what those procedures are.

ADS holders who hold uncertificated ADSs will receive statements from the depositary confirming their holdings.

We will not treat ADS holders as shareholders (for non-tax purposes), and they will not have shareholder rights. Japanese law governs the shareholder rights attached to the shares of our common stock. The depositary will be treated as the holder of the shares of our common stock underlying the ADSs. The deposit agreement between us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs will set out the rights of ADS holders as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, see the form of which is included as an exhibit to this registration statement.

Dividends and other distributions

How will holders of ADSs receive dividends and other distributions on the shares of our common stock?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on the shares of our common stock or other deposited securities, upon payment or deduction of its fees and expenses. ADS holders will receive these distributions in proportion to the number of shares of our common stock their ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on the shares of our common stock into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes or other governmental charges that must be paid will be deducted. See “Item 10. Additional Information—E. Taxation.” The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, ADS holders may lose some of the value of the distribution.

Shares of our common stock. The depositary may distribute additional ADSs representing any shares of our common stock distributed by us as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares of our common stock which would require it to deliver a fraction of an ADS (or ADSs representing those shares of our common stock) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares of our common stock. The depositary may sell a portion of the distributed shares of our common stock (or ADSs representing those shares of our common stock) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares of our common stock. If we offer holders of shares of our common stock any rights to subscribe for additional shares of our common stock or any other rights, the depositary may: (i) exercise those rights on behalf of ADS holders; (ii) distribute those rights to ADS holders; or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. *In that case, ADS holders will receive no value for them.* The depositary will exercise or distribute rights only if we ask it to and provides satisfactory assurances to the depositary that it is lawful to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of new shares of our common stock, new ADSs representing the new shares of our common stock to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice either: (i) to sell what we distributed and distribute the net proceeds, in the same way as it does with cash; or (ii) to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is lawful to make that

distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares of our common stock, rights or other securities under the U.S. Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares of our common stock, rights or anything else to ADS holders. *This means that ADS holders may not receive the distributions we make on shares of our common stock or any value for them if it is illegal or impractical for us to make them available to the holders of ADSs.*

Deposit, withdrawal and cancellation

How are ADSs issued?

The depositary will deliver ADSs if holders of shares of our common stock or their respective brokers deposit shares of our common stock with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names such holder requests and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

ADS holders may surrender their ADSs to the depositary for the purpose of withdrawal. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares of our common stock and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at the request, risk and expense of the requesting ADS holder, the depositary will deliver the deposited securities at its office, if feasible. However, the depositary is not required to accept surrender of ADSs to the extent it would require delivery of a fraction of a deposited share or other security. The depositary may charge ADS holders a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

An ADS holder may surrender his or her ADR to the depositary for the purpose of exchanging his or her ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder a ADR evidencing those ADSs.

Voting rights

How do ADS holders vote?

ADS holders may instruct the depositary how to vote the number of deposited shares of our common stock their ADSs represent. If we request the depositary to solicit the voting instructions of the ADS holders (however, we are not required to do so), the depositary will notify ADS holders of a shareholders' meeting and send or make voting materials available to them. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will endeavor, as far as practical, subject to the laws of Japan and the provisions of the our Articles of Incorporation or similar documents, to vote or to have its agents vote the shares of

our common stock or other deposited securities as instructed by ADS holders. If we do not request the depository to solicit the voting instructions of the ADS holders, ADS holders can still send voting instructions and, in that case, the depository may try to vote as the ADS holders instruct, but it is not required to do so.

Except by instructing the depository as described above, ADS holders will not be able to exercise voting rights unless they surrender their ADSs and withdraw the underlying shares of our common stock. However, ADS holders may not know about the meeting enough in advance to withdraw the underlying shares of our common stock. In any event, the depository will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed or as described in the following sentence. If: (i) we asked the depository to solicit the instructions of the ADS holders at least 28 days before the meeting date; (ii) the depository does not receive voting instructions from an ADS holder by the specified date; and (iii) we confirm to the depository that, as of the instruction cut-off date:

- we wish to receive a proxy to vote uninstructed shares of our common stock;
- we reasonably do not know of any substantial shareholder opposition to a particular question; and
- the particular question is not materially adverse to the interests of shareholders,

the depository will consider such ADS holder to have authorized and directed it to give, and it will give, a discretionary proxy to a person designated by us to vote the number of deposited securities represented by the ADSs of such ADS holder as to that question. However, such discretionary proxy will not apply in relation to any ADSs held by CREST Depository Limited and represented by CREST depository interests (“CDIs”).

We cannot assure ADS holders that they will receive the voting materials in time to ensure that they can instruct the depository to vote their shares of our common stock. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that ADS holders may not be able to exercise voting rights and there may be nothing ADS holders can do if their shares of our common stock are not voted as requested.*

Holders of CDIs representing ADSs may not receive notices of our shareholder meetings and will not be able to instruct the depository how to vote.

If we will request the depository to send a notice regarding a shareholder meeting, we will endeavor to give the depository at least 30 days’ prior notice of the shareholder meeting and the details of the matters to be voted upon, unless such advance notice is not possible because less than 30 days’ notice of the meeting has been given in accordance with our Articles of Incorporation and Japanese law, in which case we will provide to the depository such advance notice of the shareholder meeting as may be possible under the circumstances.

Fees and expenses

Persons depositing or withdrawing shares of our common stock or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been shares of our common stock and the shares of our common stock had been deposited for issuance of ADSs

For:

Issue of ADSs, including issues resulting from a distribution of shares of our common stock or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS holders

Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depository to ADS holders

Persons depositing or withdrawing shares of our common stock or ADS holders must pay:

\$0.05 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares of our common stock underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

For:

Depository services

Transfer and registration of shares of our common stock on our share register to or from the name of the depositary or its agent when persons deposit or withdraw shares of our common stock

Cable and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares of our common stock or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favourable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favourable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Payment of taxes

ADS holders will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities represented by any of their ADSs. The depositary may refuse to register any transfer of ADSs or allow an ADS holder to withdraw the deposited securities represented by his or her ADSs until those taxes or other charges are paid. It may apply payments owed to such ADS holder or sell deposited securities

represented by such ADS holder's ADSs to pay any taxes owed and such ADS holder will remain liable for any deficiency. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and exchange offers; redemption, replacement or cancellation of deposited securities

The depository will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the depository may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depository as a holder of deposited securities, the depository will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, or any merger, consolidation, recapitalisation or reorganisation affecting the issuer of deposited securities in which the depository receives new securities in exchange for or in lieu of the old deposited securities, the depository will hold those replacement securities as deposited securities under the deposit agreement. However, if the depository decides it would not be lawful and practical to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depository may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depository will continue to hold the replacement securities, the depository may distribute ADSs representing the new deposited securities or ask holders of ADRs to surrender their outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying the ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying the ADSs have become apparently worthless, the depository may call for the surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and termination

How may the deposit agreement be amended?

We may agree with the depository to amend the deposit agreement and the ADRs without the consent of ADS holders for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depository for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depository notifies ADS holders of the amendment. At the time an amendment becomes effective, ADS holders will be considered, by continuing to hold their ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depository will initiate termination of the deposit agreement if we instruct it to do so. The depository may initiate termination of the deposit agreement if:

- 90 days have passed since the depository told us it wants to resign but a successor depository has not been appointed and accepted its appointment;
- We delist ADSs from an exchange on which they were listed and do not list the ADSs on another exchange;

- We appear to be insolvent or enters insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depository will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depository may sell the deposited securities and the depository will hold the proceeds it received from such sale, as well as any other cash it is holding under the deposit agreement, and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depository will sell the deposited securities as soon as practicable after the termination date.

After the termination date and before the depository sells the deposited securities, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depository may refuse to accept a surrender for the purpose of withdrawing deposited securities or reverse previously accepted surrenders of that kind if it would interfere with the selling process. The depository may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depository will continue to collect distributions on deposited securities, but, after the termination date, the depository is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADS holders (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on obligations and liability

Limits on our obligations and the obligations of the depository; Limits on liability to ADS holders

The deposit agreement expressly limits our obligations and the obligations of the depository. It also limits our liability and the liability of the depository. We and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith, and the depository will not be a fiduciary or have any fiduciary duty to holders of ADSs;
- are not liable if we or the depository is prevented or delayed by law or by events or circumstances beyond our or the depository's ability to prevent or counteract with reasonable care or effort from performing our or the depository's obligations under the deposit agreement;
- are not liable if we or the depository exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any ADS holder to benefit from any distribution on deposited securities that is not made available to ADS holders under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on behalf of ADS holders or on behalf of any other person;
- may rely upon any documents we believe or the depository believes in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and

- the depository has no duty to make any determination or provide any information as to our tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs or be liable for the inability or failure of an ADS holder to obtain the benefit of a foreign tax credit, reduced rate of withholding or refund of amounts withheld in respect of tax or any other tax benefit.

In the deposit agreement, we and the depository agree to indemnify each other under certain circumstances.

Jury Trial Waiver

The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to our shares, the ADSs or the deposit agreement, which may include any claim under the U.S. federal securities laws. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the ADSs—ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.”

Requirements for depository actions

Before the depository will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares of our common stock, the depository may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares of our common stock or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depository may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depository or our transfer books are closed or at any time if the depository or we think it advisable to do so.

Rights of ADS holders to receive the shares of our common stock underlying their ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares of our common stock at any time except:

- when temporary delays arise because: (i) the depository has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares of our common stock is blocked to permit voting at a shareholders’ meeting; or (iii) we are paying a dividend on shares of our common stock;
- when withdrawing ADS holders owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares of our common stock or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorisation from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to the DRS/Profile system, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder communications; inspection of register of holders of ADSs

The depositary will make available for the inspection of ADS holders at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send ADS holders copies of those communications or otherwise make those communications available to ADS holders if we ask it to. ADS holders have a right to inspect the register of ADS holders, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

Item 15. Controls and Procedures.

Not applicable.

Item 16A. Audit Committee Financial Expert.

Not applicable.

Item 16B. Code of Ethics.

Not applicable.

Item 16C. Principal Accountant Fees and Services.

Not applicable.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this registration statement.

Item 18. Financial Statements

The information required by this item is set forth in our consolidated financial statements and the consolidated financial statements of Shire included in this registration statement.

Item 19. Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
Exhibit 1.1	Articles of Incorporation of Takeda Pharmaceutical Company Limited (English Translation)
Exhibit 1.2	Regulations of the Board of Directors of Takeda Pharmaceutical Company Limited (English Translation)
Exhibit 1.3	Share Handling Regulations of Takeda Pharmaceutical Company Limited (English Translation)
Exhibit 2.1	Form of Amended and Restated Deposit Agreement among the Takeda Pharmaceutical Company Limited, The Bank of New York Mellon, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder
Exhibit 8.1	List of subsidiaries of Takeda Pharmaceutical Company Limited, as of March 31, 2018: See “Item 4. Information on the Company—C. Organizational Structure.”
Exhibit 10.1*	Collaboration Agreement dated December 14, 2009 by and between Seattle Genetics, Inc. and Millennium Pharmaceuticals, Inc.
Exhibit 10.2	Agreement and Plan of Merger between ARIAD Pharmaceuticals, Inc., Takeda Pharmaceutical Company Limited and Kiku Merger Co., Inc., dated January 8, 2017 (incorporated by reference to Exhibit 2.1 to the Current Report of ARIAD Pharmaceuticals, Inc. on Form 8-K filed with the SEC on January 10, 2017)
Exhibit 10.3	Offer and Support Agreement between Takeda Pharmaceutical Company Limited and TiGenix NV, dated January 5, 2018 (incorporated by reference to Exhibit 4.23 to the Annual Report on Form 20-F of TiGenix NV for the fiscal year ended December 31, 2017, filed with the SEC on April 16, 2018)
Exhibit 10.4	Co-operation Agreement between Takeda Pharmaceutical Company Limited and Shire plc, dated May 8, 2018 (incorporated by reference to Exhibit 2.1 to the Current Report of Shire plc on Form 8-K filed with the SEC on May 9, 2018)
Exhibit 10.5	364-Day Bridge Credit Agreement among Takeda Pharmaceutical Company Limited, as Borrower, Various Financial Institutions, as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of May 8, 2018
Exhibit 10.6	Amendment No. 1, dated as of June 8, 2018, to the 364-Day Bridge Credit Agreement among Takeda Pharmaceutical Company Limited, as Borrower, Various Financial Institutions, as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of May 8, 2018

<u>Exhibit No.</u>	<u>Exhibit</u>
Exhibit 10.7	Term Loan Credit Agreement among Takeda Pharmaceutical Company Limited, as Borrower, Various Financial Institutions, as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of June 8, 2018
Exhibit 10.8	Amendment No. 2, dated as of October 26, 2018, to the 364-Day Bridge Credit Agreement among Takeda Pharmaceutical Company Limited, as Borrower, Various Financial Institutions, as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of May 8, 2018
Exhibit 10.9	Senior Short-Term Loan Facility Agreement, dated as of October 26, 2018, among Takeda Pharmaceutical Company Limited, as Borrower, Various Financial Institutions, as Lenders, and Sumitomo Mitsui Banking Corporation, as Administrative Agent
Exhibit 10.10	English translation of Subordinated Syndicated Loan Agreement, dated as of October 26, 2018, among Takeda Pharmaceutical Company Limited, as Borrower, Mizuho Bank, Ltd., as Arranger and Bookrunner, The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, as Arrangers, Various Financial Institutions, as Lenders, and Sumitomo Mitsui Banking Corporation, as Administrative Agent.
Exhibit 10.11	Fiscal Agency Agreement, dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited and MUFG Bank, Ltd., as Fiscal Agent.
Exhibit 10.12	Indenture, dated as of November 26, 2018, between Takeda Pharmaceutical Company Limited and MUFG Union Bank, N.A., as Trustee.
Exhibit 10.13	Registration Rights Agreement, dated as of November 26, 2018, among Takeda Pharmaceutical Company Limited, J.P. Morgan Securities LLC, SMBC Nikko Securities America, Inc., Morgan Stanley MUFG Securities Co., Ltd., Mizuho Securities USA LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the several initial purchasers.
Exhibit 10.14	Loan Agreement, dated December 3, 2018, between Takeda Pharmaceutical Company Limited and Japan Bank for International Cooperation.
Exhibit 15.1	Consent of KPMG AZSA LLC
Exhibit 15.2	Consent of Deloitte LLP
Exhibit 99.1	Unaudited Condensed Interim Consolidated Financial Statements of Takeda Pharmaceutical Company Limited as of March 31, 2018 and September 30, 2018 and for the three months and six months periods ended September 30, 2017 and 2018

* Pursuant to a request for confidential treatment, portions of this Exhibit have been redacted from the publicly filed document and have been furnished separately to the SEC as required by Rule 24b-2 under the Securities Exchange Act of 1934.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

By: /s/ Costa Saroukos _____

Name: Costa Saroukos

Title: Chief Financial Officer

Date: December 17, 2018

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TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Takeda Pharmaceutical Company Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Takeda Pharmaceutical Company Limited and subsidiaries (the “Company”) as of March 31, 2018 and 2017, the related consolidated statements of income, income and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG AZSA LLC

We have served as the Company’s auditor since 2007.

Tokyo, Japan
September 10, 2018

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income for the Year Ended March 31,

	Note	JPY (millions)		
		2016	2017	2018
Revenue	4	¥1,807,378	¥1,732,051	¥1,770,531
Cost of sales		(535,180)	(558,755)	(495,921)
Selling, general and administrative expenses		(650,770)	(619,061)	(628,106)
Research and development expenses		(335,772)	(312,303)	(325,441)
Amortization and impairment losses on intangible assets associated with products	12	(131,787)	(156,717)	(122,131)
Other operating income	5	21,345	143,533	169,412
Other operating expenses	5	(44,386)	(72,881)	(126,555)
Operating profit		130,828	155,867	241,789
Finance income	6	21,645	12,274	39,543
Finance expenses	6	(31,931)	(23,249)	(31,928)
Share of loss of investments accounted for using the equity method	14	(3)	(1,546)	(32,199)
Profit before tax		120,539	143,346	217,205
Income tax expenses	7	(37,059)	(27,833)	(30,497)
Net profit for the year		<u>¥ 83,480</u>	<u>¥ 115,513</u>	<u>¥ 186,708</u>
Attributable to:				
Owners of the Company	8	¥ 80,166	¥ 114,940	¥ 186,886
Non-controlling interests	8	3,314	573	(178)
Net profit for the year	8	<u>¥ 83,480</u>	<u>¥ 115,513</u>	<u>¥ 186,708</u>
Earnings per share (JPY)				
Basic earnings per share	8	¥ 102.26	¥ 147.15	¥ 239.35
Diluted earnings per share	8	101.71	146.26	237.56

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income and Other Comprehensive Income for the Year Ended March 31,

	<u>Note</u>	JPY (millions)		
		2016	2017	2018
Net profit for the year		¥ 83,480	¥115,513	¥186,708
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Re-measurement (loss) gain on defined benefit plans	9	(18,140)	15,554	724
		(18,140)	15,554	724
Items to be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	9	(85,496)	(51,820)	46,611
Net changes on revaluation of available-for-sale financial assets	9	(17,313)	9,521	4,714
Cash flow hedges	9	(1,867)	4,412	3,525
Share of other comprehensive (loss) income of investments accounted for using the equity method	9, 14	(266)	(38)	382
		(104,942)	(37,925)	55,232
Other comprehensive income (loss) for the year, net of tax	9	(123,082)	(22,371)	55,956
Total comprehensive income (loss) for the year		¥ (39,602)	¥ 93,142	¥242,664
Attributable to:				
Owners of the Company		¥ (40,334)	¥ 93,552	¥242,444
Non-controlling interests		732	(410)	220
Total comprehensive income (loss) for the year		¥ (39,602)	¥ 93,142	¥242,664

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position as of March 31,

	Note	JPY (millions)	
		2017	2018
Assets			
Non-current assets:			
Property, plant and equipment	10	¥ 527,344	¥ 536,801
Goodwill	11	1,019,574	1,029,248
Intangible assets	12	1,063,037	1,014,264
Investments accounted for using the equity method	14	126,411	107,949
Other financial assets	15	176,636	196,436
Other non-current assets		54,408	77,977
Deferred tax assets	7	118,968	64,980
Total non-current assets		3,086,378	3,027,655
Current assets:			
Inventories	16	226,048	212,944
Trade and other receivables	17	423,405	420,247
Other financial assets	15	56,683	80,646
Income tax receivables		21,373	8,545
Other current assets		75,146	57,912
Cash and cash equivalents	18	319,455	294,522
Assets held for sale	19	138,306	3,992
Total current assets		1,260,416	1,078,808
Total assets		¥4,346,794	¥4,106,463

	Note	JPY (millions)	
		2017	2018
Liabilities and Equity			
Liabilities:			
Non-current liabilities:			
Bonds and loans	20	¥ 599,862	¥ 985,644
Other financial liabilities	21	81,778	91,223
Net defined benefit liabilities	22	80,902	87,611
Provisions	23	38,108	28,042
Other non-current liabilities	24	77,437	68,300
Deferred tax liabilities	7	153,396	90,725
Total non-current liabilities		<u>1,031,483</u>	<u>1,351,545</u>
Current liabilities:			
Bonds and loans	20	545,028	18
Trade and other payables	25	240,623	240,259
Other financial liabilities	21	28,898	29,613
Accrued income taxes		70,838	67,694
Provisions	23	135,796	132,781
Other current liabilities	24	256,507	263,930
Liabilities held for sale	19	88,656	3,214
Total current liabilities		<u>1,366,346</u>	<u>737,509</u>
Total liabilities		<u>2,397,829</u>	<u>2,089,054</u>
Equity:			
Share capital		65,203	77,914
Share premium		74,973	90,740
Treasury shares		(48,734)	(74,373)
Retained earnings		1,511,817	1,557,307
Other components of equity		291,002	350,631
Other comprehensive income related to assets held for sale		—	(4,795)
Equity attributable to owners of the company		<u>1,894,261</u>	<u>1,997,424</u>
Non-controlling interests		54,704	19,985
Total equity		<u>1,948,965</u>	<u>2,017,409</u>
Total liabilities and equity		<u>¥4,346,794</u>	<u>¥4,106,463</u>

(*) Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations during the year ended March 31, 2018. Accordingly, the corresponding balances in the Consolidated Statements of Financial Position as of March 31, 2017 were, retrospectively revised. (refer to Note 31)

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

	JPY (millions)											
	Equity attributable to owners of the Company											
	Other components of equity										Total	
Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current assets held for sale	Non-Controlling Interests		Total Equity
As of April 1, 2015	¥64,044	¥59,575	¥(18,203)	¥1,601,326	¥355,692	¥75,685	¥(1,073)	¥—	¥430,304	¥69,129	¥2,137,046	¥2,206,175
Net profit for the year	—	—	—	80,166	—	—	—	—	—	3,314	80,166	83,480
Other comprehensive income (loss)	—	—	—	—	(83,331)	(17,162)	(1,867)	(18,140)	(120,500)	(2,582)	(120,500)	(123,082)
Comprehensive income (loss) for the year	—	—	—	80,166	(83,331)	(17,162)	(1,867)	(18,140)	(120,500)	732	(40,334)	(39,602)
Transactions with owners:												
Issuance of new shares	722	722	—	—	—	—	—	—	—	—	1,444	1,444
Acquisition of treasury shares	—	—	(22,346)	—	—	—	—	—	—	—	(22,346)	(22,346)
Disposal of treasury shares	—	—	1	—	—	—	—	—	—	—	4	4
Dividends (Note 26)	—	—	—	(141,585)	—	—	—	—	—	(1,868)	(141,585)	(143,453)
Changes in ownership	—	—	—	1,360	—	—	—	—	—	1,360	1,360	(4,122)
Transfers from other components of equity	—	—	—	(18,140)	—	—	—	18,140	18,140	—	—	—
Share-based compensation (Note 28)	—	12,845	—	—	—	—	—	—	—	—	12,845	12,845
Exercise of share-based awards (Note 28)	—	(4,314)	4,572	—	—	—	—	—	—	—	258	258
Total transactions with owners	722	9,254	(17,771)	(158,365)	—	—	—	18,140	18,140	(7,350)	(148,020)	(155,370)
As of March 31, 2016	¥64,766	¥68,829	¥(35,974)	¥1,523,127	¥272,361	¥58,523	¥(2,940)	¥—	¥327,944	¥62,511	¥1,948,692	¥2,011,203

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

	JPY (millions)											
	Equity attributable to owners of the Company											
	Other components of equity											
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net Changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current assets held for sale	Non-Controlling Interests	Total Equity
As of April 1, 2016	¥64,766	¥68,829	¥(35,974)	¥1,523,127	¥272,361	¥58,523	¥(2,940)	¥ —	¥327,944	¥ —	¥62,511	¥2,011,203
Net profit for the year	—	—	—	114,940	—	—	—	—	—	—	573	115,513
Other comprehensive income (loss)	—	—	—	—	(50,811)	9,457	4,412	15,554	(21,388)	—	(983)	(22,371)
Comprehensive income (loss) for the year	—	—	—	114,940	(50,811)	9,457	4,412	15,554	(21,388)	—	(410)	93,142
Transactions with owners:												
Issuance of new shares	437	—	—	—	—	—	—	—	—	—	—	874
Acquisition of treasury shares	—	—	(23,117)	—	—	—	—	—	—	—	—	(23,117)
Disposal of treasury shares	—	(0)	4	—	—	—	—	—	—	—	—	4
Dividends (Note 26)	—	—	—	(141,804)	—	—	—	—	—	—	(1,910)	(143,714)
Changes in ownership	—	—	—	—	—	—	—	—	—	—	(5,487)	(5,487)
Transfers from other components of equity	—	—	—	15,554	—	—	—	(15,554)	(15,554)	—	—	—
Share-based compensation (Note 28)	—	15,322	—	—	—	—	—	—	—	—	—	15,322
Exercise of share-based awards (Note 28)	—	(9,615)	10,353	—	—	—	—	—	—	—	—	738
Total transactions with owners	437	6,144	(12,760)	(126,250)	—	—	—	(15,554)	(15,554)	—	(7,397)	(155,380)
As of March 31, 2017	¥65,203	¥74,973	¥(48,734)	¥1,511,817	¥221,550	¥67,980	¥ 1,472	¥ —	¥291,002	¥ —	¥54,704	¥1,948,965

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

JPY (millions)

	Equity attributable to owners of the Company											
	Other components of equity											
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current assets held for sale	Non-Controlling Interests	Total Equity
As of April 1, 2017	¥65,203	¥74,973	¥(48,734)	¥1,511,817	¥221,550	¥67,980	¥1,472	¥—	¥291,002	¥—	¥54,704	¥1,948,965
Net profit for the year	—	—	—	186,886	—	—	—	—	—	—	(178)	186,708
Other comprehensive income (loss)	—	—	—	—	46,252	5,057	3,525	724	55,558	—	398	55,956
Comprehensive income (loss) for the year	—	—	—	186,886	46,252	5,057	3,525	724	55,558	—	220	242,664
Transactions with owners:												
Issuance of new shares	12,711	12,609	—	—	—	—	—	—	—	—	—	25,320
Acquisition of treasury shares	—	—	(41,545)	—	—	—	—	—	—	—	—	(41,545)
Disposal of treasury shares	—	—	0	1	—	—	—	—	—	—	1	1
Dividends (Note 26)	—	—	—	(142,120)	—	—	—	—	—	—	(2,189)	(144,309)
Changes in ownership	—	—	—	—	—	—	—	—	—	—	(32,750)	(32,750)
Transfer from other components of equity	—	—	—	724	—	—	(724)	—	(724)	—	—	—
Share-based compensation (Note 28)	—	18,610	—	—	—	—	—	—	—	—	—	18,610
Exercise of share-based awards (Note 28)	—	(15,452)	15,905	—	—	—	—	—	—	—	—	453
Transfers to other comprehensive income related to assets held for sale	—	—	—	—	4,795	—	—	—	4,795	(4,795)	—	—
Total transactions with owners	12,711	15,767	(25,639)	(141,396)	4,795	—	—	(724)	4,071	(4,795)	(34,939)	(174,220)
As of March 31, 2018	¥77,914	¥90,740	¥(74,373)	¥1,557,307	¥272,597	¥73,037	¥4,997	¥—	¥350,631	¥(4,795)	¥19,985	¥2,017,409

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows for the Year Ended March 31,

	Note	JPY (millions)		
		2016	2017	2018
Cash flows from operating activities:				
Net profit for the year		¥ 83,480	¥ 115,513	¥ 186,708
Depreciation and amortization		182,179	171,426	182,127
Impairment losses		15,202	51,361	13,544
Share-based compensation		13,178	15,385	18,610
Loss (gain) on sales and disposal of property, plant and equipment		1,244	(129)	(434)
Gain on divestment of business		—	(115,363)	(27,481)
Gain on sales of subsidiaries		(75)	—	(106,619)
Loss on liquidation of foreign operations		—	—	41,465
Change in fair value of contingent consideration		(5,636)	(18,441)	10,523
Finance income and expenses, net		10,286	10,975	(7,615)
Share of loss of associates accounted for using the equity method		3	1,546	32,199
Income tax expenses		37,059	27,833	30,497
Changes in assets and liabilities:				
Decrease (increase) in trade and other receivables		12,372	(37,315)	(647)
Decrease (increase) in inventories		(6,845)	3,886	13,719
Increase in trade and other payables		17,910	42,557	6,862
Increase (decrease) in provisions		(290,650)	20,547	(6,530)
Other, net		(10,579)	12,333	20,809
Cash generated from operations		59,128	302,114	407,737
Income taxes paid		(52,294)	(53,227)	(54,874)
Tax refunds and interest on tax refunds received		18,657	12,476	24,991
Net cash from operating activities		25,491	261,363	377,854
Cash flows from investing activities:				
Interest received		2,394	2,001	2,412
Dividends received		3,557	3,674	7,699
Payments into time deposits		(40,000)	(70,000)	—
Proceeds from withdrawal of time deposits		40,000	70,000	—
Acquisition of property, plant and equipment		(48,758)	(61,660)	(67,005)
Proceeds from sales of property, plant and equipment		498	2,629	2,965
Acquisition of intangible assets		(36,099)	(50,367)	(61,257)
Acquisition of investments		(17)	(12,106)	(16,883)
Proceeds from sales and redemption of investments		16,454	5,268	40,743
Acquisition of business, net of cash and cash equivalents acquired	31	(8,269)	(589,144)	(28,328)
Proceeds from sales of business, net of cash and cash equivalents divested		1,217	64,405	85,080
Payments into restricted deposits		—	—	(71,774)
Other, net		(2,185)	(20,391)	13,006
Net cash used in investing activities		(71,208)	(655,691)	(93,342)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	27	(5)	406,971	(403,931)
Proceeds from long-term loans	27	150,000	260,226	337,154
Repayment of long-term loans	27	(30,012)	(12,363)	(80,000)
Proceeds from issuance of bonds	27	—	—	56,299
Repayment of bonds	27	(70,000)	(179,400)	(60,000)
Purchase of treasury shares		(22,346)	(23,117)	(18,756)
Interest paid		(4,889)	(6,971)	(8,365)
Dividends paid		(141,538)	(141,688)	(141,893)
Acquisition of non-controlling interests		(804)	(4,822)	—
Repayment of obligations under finance lease	27	(4,066)	(4,013)	(2,658)
Other, net		(1,179)	(4,927)	(4,076)
Net cash from (used in) financing activities		(124,839)	289,896	(326,226)
Net decrease in cash and cash equivalents		(170,556)	(104,432)	(41,714)
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	18	652,148	451,426	319,455
Cash and cash equivalents reclassified back from assets held for sale	19	3,096	—	21,797
Cash and cash equivalents at the beginning of the year		655,244	451,426	341,252
Effects of exchange rate changes on cash and cash equivalents		(33,262)	(5,742)	(4,565)
Cash and cash equivalents at the end of the year		451,426	341,252	294,973
Cash and cash equivalents reclassified to assets held for sale	19	—	(21,797)	(451)
Cash and cash equivalents at the end of the year (Consolidated statements of financial position)	18	¥ 451,426	¥ 319,455	¥ 294,522

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Reporting Entity

Takeda Pharmaceutical Company Limited (the “Company”) is a public company incorporated in Japan. The Company and its subsidiaries (collectively, “Takeda”) is a major global pharmaceutical group and is engaged in the research, development, manufacturing and marketing of pharmaceutical products, over-the-counter (“OTC”) medicines and quasi-drug consumer products, and other healthcare products. Takeda’s principal pharmaceutical products include medicines in the following therapeutic areas: gastroenterology, oncology and neuroscience.

2. Basis of Preparation

Compliance with International Financial Reporting Standards

Takeda’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The term IFRS also includes International Accounting Standards (“IASs”) and the related interpretations of the interpretations committees (SIC and IFRIC).

Approval of Financial Statements

The Company’s consolidated financial statements as of and for the year ended March 31, 2018 were approved on September 10, 2018 by Representative Director, President & Chief Executive Officer (“CEO”) Christophe Weber and Corporate Officer & Chief Financial Officer Costa Saroukos.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities recorded at fair value including investments, derivatives, and contingent considerations.

Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen (“JPY”), which is the functional currency of the Company. All financial information presented in JPY has been rounded to the nearest million JPY, except when otherwise indicated.

New Accounting Standards and Interpretations Adopted

During the year ended March 31, 2018, Takeda has adopted the amendments to IAS 12 ‘Income Taxes’, which requires recognition of deferred tax assets for unrealized losses. Takeda has also adopted the amendments to IAS 7 ‘Statement of Cash Flows’ Disclosure Initiative which requires additional disclosures about changes in liabilities arising from financing activities. The adoption of these standards did not have a material impact on Takeda’s consolidated financial statements.

New Accounting Standards and Interpretations Issued and Not Yet Adopted

New or amended accounting standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but are not effective and have not yet been adopted by Takeda as of March 31, 2018 are discussed below:

IFRS 15 ‘Revenue from Contracts with Customers’ (“IFRS 15”) was issued in May 2014 and has been implemented by Takeda on April 1, 2018. IFRS 15 provides a single, principles-based approach to the

recognition of revenue from all contracts with customers. The standard focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations are met. The standard also updates revenue disclosure requirements. IFRS 15 is not expected to have a material impact on the amount or timing of revenue recognition from the sale of goods and associated provisions for rebates and returns. In addition, our current accounting for royalty and service revenue under IAS 18 'Revenue' includes an analysis of the performance obligations under the arrangement and up-front revenue recognition requires the transfer of substantive rights, for example, a license to use our intellectual property and an appropriate allocation of revenue to the remaining performance obligations. While the basis for such allocation is different in IFRS 15, the impact of the adoption of the new standard on our historical allocations is not material. In our financial statements for the year ended March 31, 2019, Takeda will adopt IFRS 15 applying the modified retrospective approach and will record a cumulative adjustment to equity at April 1, 2018. As a result of the adoption of IFRS 15, opening retained earnings as of April 1, 2018 will increase by 1,328 million JPY. In accordance with the requirements of IFRS 15 where the modified retrospective approach is adopted, prior year results will not be restated. As the result of implementing IFRS 15, Takeda will provide additional disclosure regarding revenue in its financial statements.

IFRS 9 'Financial instruments' ("IFRS 9") was issued in its final form in July 2014 and has been implemented by Takeda as of April 1, 2018. IFRS 9 replaces the majority requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and covers the classification, measurement and de-recognition of financial assets and financial liabilities; introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model. The principal impact for Takeda will be the re-measurement of certain available-for-sale financial instruments to fair value on initial application on April 1, 2018. As a result, opening balance of retained earnings and other components of equity as of April 1, 2018 will increase by 14,073 million JPY and 10,257 million JPY, respectively.

IFRS 16 'Leases' ("IFRS 16") was issued in January 2016 and Takeda is required to adopt the new lease standard by April 1, 2019. The standard will replace IAS 17 'Leases' and will require lease liabilities and 'right of use' assets to be recognized on the balance sheet for almost all leases. This is expected to result in a significant increase in both assets and liabilities recognized. The costs of operating leases currently included within cost of sales, selling, general and administrative expenses, research and development expenses, and other operating expenses will be disaggregated and the financing element of the expense will be reported within finance expenses. As a lessee, this standard can be applied retrospectively to each prior reporting period (retrospective approach) or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application (modified retrospective approach). Takeda is assessing the potential impact of IFRS 16 and the method of transition.

IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and Takeda is required to adopt the standard by April 1, 2019. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. Takeda is continuing to assess the potential impact of the new interpretation.

In addition, the following amendments and interpretations have been issued:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. The IASB has deferred these amendments until a date to be determined by the IASB.
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions', effective for periods beginning on or after January 1, 2018.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration', effective for periods beginning on or after January 1, 2018.

- Amendments to IAS 40 ‘Transfers of Investment Property’, effective for periods beginning on or after January 1, 2018

These additional amendments and interpretations are not expected to have a significant impact on Takeda’s net results, net assets or disclosures.

Use of Judgments, Estimates, and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions that affect the application of accounting policies, the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments and estimates that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements and information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements are as follows:

- Recognition and measurement of taxes based on uncertain tax positions (Note 7)
- Recoverability of deferred tax assets (Note 7)
- Impairment of property, plant and equipment; goodwill; and other intangible assets (Note 10, Note 11, and Note 12, respectively)
- Measurement of defined benefit obligations (Note 22)
- Measurement of provisions, including estimation of rebates and return reserves associated with Takeda’s product sales (Note 23)
- Valuation assumptions relating to share-based compensation (Note 28)
- Measurement of fair value of assets acquired and liabilities assumed and contingent consideration in business combinations (Note 31)
- Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 32)

3. Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries that are directly or indirectly controlled by the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

Takeda controls an entity when Takeda is exposed or has rights to variable returns from involvement with the entity, and has the ability to affect those returns using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether Takeda controls an entity, status of voting rights or similar rights, contractual agreements and other specific factors are taken into consideration.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration transferred or received, is recognized directly in equity attributable to owners of the Company. When control over a subsidiary is lost, the investment retained after the loss of control is re-measured at fair value as of the date when control is lost, and any gain or loss on such re-measurement and disposal of the interest sold is recognized in profit or loss.

Investments in Associates and Joint Arrangements

Associates are entities over which Takeda has significant influence over the decisions on financial and operating policies, but does not have control or joint control. Investments in associates are accounted for using the equity method and recognized at cost on the acquisition date. The carrying amount is subsequently increased or decreased to recognize Takeda's share of profit or loss and other comprehensive income of the affiliate. Intra-group profits on transactions with associates accounted for using the equity method are eliminated against the investment to the extent of Takeda's equity interest in the associates. Intra-group losses are eliminated in the same way as intra-group profits unless there is evidence of impairment.

Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Takeda classifies joint arrangement into either joint operations or joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The assets, liabilities, revenues and expenses in joint operations are recognized in relation to Takeda's interest. The investment in joint ventures is accounted for using the equity method. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within profit or loss.

Business Combinations

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and the liabilities assumed are measured at the fair values at the acquisition date. Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree less the fair value of identifiable assets acquired, net of liabilities assumed at the acquisition date.

The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred to former owners of the acquiree, and the equity interests issued by Takeda. Non-controlling interests is initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis. The consideration for certain acquisitions includes amounts contingent upon future events, such as the achievement of development milestones and sales targets. Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. The fair values are reviewed at the end of each reporting period. The changes in the

fair value based on the time value of money are recognized in “Finance expenses” and the other changes are recognized in “Other operating income” or “Other operating expenses” in the consolidated statements of income.

Acquisition related costs are recognized as expenses in the period they are incurred. Changes in Takeda’s ownership interests in subsidiaries arising from transactions between Takeda and non-controlling interests that do not result in Takeda losing control over a subsidiary are treated as equity transactions and therefore, do not result in adjustments to goodwill.

Foreign Currency Translations

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency of each entity within Takeda using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot rates of exchange at the end of each reporting period. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using historical exchange rates at the date when the fair value was determined. Non-monetary assets and liabilities measured based on historical cost that are denominated in foreign currencies are translated at the exchange rate at the date of the initial transaction. Exchange differences arising from the translation or settlement are recognized in profit or loss except when related to financial assets measured at fair value through other comprehensive income, as well as financial instruments designated as hedges of net investments in foreign operations and cash flow hedges subsequently recognized as other comprehensive income. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss, are also recognized in other comprehensive income or profit or loss, respectively).

Foreign Operations

The assets and liabilities of foreign operations are translated using the spot exchange rates at the end of the reporting period, while income and expenses of foreign operations presented in net profit or loss and other comprehensive income are translated using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions.

Exchange differences arising from translation are recognized as other comprehensive income. In cases in which foreign operations are disposed of, the cumulative amount of exchange differences related to the foreign operations is recognized as part of the gain or loss on disposal.

Revenue

Revenue consists primarily of sales of pharmaceutical products, as well as royalty and service income.

Revenue is recognized when significant risks and rewards of ownership have been transferred to a third party. Product sales are recognized when title passes to the customer, either upon shipment or upon receipt of goods by the customer, as specified in the sales agreement. Service and royalty income are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Revenue is reduced by rebates, discounts, and products returned or expected to be returned which vary by product arrangements, government pricing, and the purchasing organization. In certain areas, Takeda has arrangements with purchasing organizations, as well as product sales subject to government pricing arrangements that are dependent upon the submission of claims sometime after the initial recognition of the sale. Provisions are made at the time of sale for the estimated rebates, discounts, or returns to be made, based on available market information and historical experience.

Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the type of purchasing organization, end consumer, and product sales mix.

The level of accrual for rebates and returns is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience, and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analysis, market research data, and internally generated information.

Future events could cause the actual assumptions on which the accruals are based to change, which could affect the future results of Takeda.

Government Grants

Government grants are recognized when there is reasonable assurance that Takeda will comply with the conditions attached to them and receive the grants. Government grants for the purchasing of property, plant and equipment are recognized as deferred income and then recognized as net profit or loss and offset the related expenses on a systematic basis over the useful lives of the related assets. Government grants for expenses incurred are recognized as net profit or loss and offset the related expenses over the periods in which Takeda recognizes costs for which the grants are intended to compensate.

Advertising and Sales Promotion Expenses

Costs of advertising and sales promotion are expensed as incurred. Advertising and sales promotion expenses were 121,055 million JPY, 112,842 million JPY, and 115,708 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively.

Research and Development Expenses

Research costs are expensed in the period incurred. Internal development expenditures are capitalized when the criteria for recognizing an asset are met in accordance with IAS 38 'Intangible Assets,' usually when a regulatory filing has been made in a major market and approval is considered highly probable. Where regulatory and other uncertainties are such that the criteria are not met, the expenditures are recognized in the income statement. Property, plant and equipment used for research and development is capitalized and depreciated in accordance with IFRS.

Income Taxes

Income taxes consist of current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for income taxes resulting from business combinations, and income taxes recognized in either other comprehensive income or equity related to items that are recognized, in the same or different period, outside of profit or loss.

Current Taxes

The current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. Accrued income taxes and income tax receivable, including those from prior fiscal years, are measured at the amount that is expected to be paid to or received from the taxation authorities, reflecting uncertainty related to income taxes, if any. Takeda's current taxes also include liabilities related to uncertain tax positions. Takeda's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred Taxes

Deferred taxes are calculated based on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the end of the reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. This requires us to evaluate and assess the probability of future taxable profit and our business plan, which are inherently uncertain. Uncertainty of estimates of future taxable profit could increase due to changes in economies in which we operate, changes in market conditions, effects of currency fluctuations, or other factors. Takeda's deferred taxes also include liabilities related to uncertain tax positions. Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising on the initial recognition of goodwill
- The initial recognition of assets and liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (loss) at the time of the transaction
- Deductible temporary differences arising from investments in subsidiaries and associates, when it is not probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized
- Taxable temporary differences arising from investments in subsidiaries and associates when the timing of the reversal of the temporary differences is controllable and it is not probable that they will reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods in which the temporary differences are expected to reverse based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities are for those related to income taxes levied by the same taxation authority on the same taxable entity.

Earnings per Share

Basic earnings per share is calculated by dividing profit or loss for the year attributable to owners of ordinary shares of the Company, by the weighted-average number of ordinary shares outstanding during the reporting period, adjusted by the number of treasury shares. Diluted earnings per share is calculated by adjusting all the effects of dilutive potential ordinary shares.

Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes mainly the costs directly attributable to the acquisition and the initial estimated dismantlement, removal, and restoration costs associated with the asset. Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful life of the asset. Leased assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life if it is reasonably certain that Takeda will obtain ownership by the end of the lease term. The depreciation of these assets begins when they are available for use.

The estimated useful life of major asset items is as follows:

- | | |
|---------------------------------|---------------|
| • Buildings and structures | 3 to 50 years |
| • Machinery and vehicles | 2 to 20 years |
| • Tools, furniture and fixtures | 2 to 20 years |

Goodwill

Goodwill arising from business combinations is stated at its cost less accumulated impairment losses. Goodwill is not amortized. Goodwill is allocated to cash-generating units or groups of cash-generating units based on expected synergies and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statements of income and no subsequent reversal will be made.

Intangible Assets Associated with Products

Takeda regularly enters into collaboration and in-license agreements with third parties for products and compounds for research and development projects. Payments for collaboration agreements generally take the form of subsequent development milestone payments. Payments for in-license agreements generally take the form of up-front payments and subsequent development milestone payments.

Up-front payments for in-license agreements are capitalized upon commencement of the in-license agreements, and development milestone payments are capitalized when the milestone is triggered.

These intangible assets relating to products in development that are not yet available for use are not amortized. These intangible assets are assessed for impairment on an annual basis, or more frequently if indicators of a potential impairment exist. An impairment is recorded if the carrying value exceeds the recoverable amount of the intangible assets. Intangible assets relating to products which fail during development, or for which development ceases for any reason are written down to their recoverable amount which is typically nil.

If and when Takeda obtains approval for the commercial application of a product in development, the related in-process research and development assets will be reclassified to intangible assets associated with products and amortized over its estimated useful life from marketing approval.

An intangible asset associated with a product is amortized on a straight-line basis over the estimated useful life, which is based on expected exclusivity period, ranging from 3 to 20 years. Amortization of intangible assets is included in “Amortization and impairment losses on intangible assets associated with products” in the consolidated statements of income. “Amortization and impairment losses on intangible assets associated with products” is separately stated in the consolidated statement of income because intangible assets associated with products have various comprehensive rights and contribute to our ability to sell, manufacture, research, market and distribute products, compounds and benefit multiple business functions.

Intangible Assets – Software

Software is recognized at cost and amortized on a straight-line basis over the expected useful life. The useful life used for this purpose is three to seven years. Amortization of intangible assets – software is included in “Cost of sales,” “Selling, general and administrative expenses,” and “Research and development expenses” in the consolidated statements of income.

Leases

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee. Leases other than finance leases are classified as operating leases.

As Lessee

At the commencement of the lease term, Takeda recognizes finance leases as assets and liabilities in the consolidated statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments for operating leases are recognized as expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user’s benefit is available.

Impairment of Non-Financial Assets

Takeda assesses the carrying amounts of non-financial assets at the end of each reporting period, excluding inventories, deferred tax assets, assets held for sale, and assets arising from employee benefits, to determine whether there is any indication of impairment. If any such indication exists, or in cases in which an impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases in which the recoverable amount cannot be estimated for each asset, they are estimated at the cash-generating unit level. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less cost of disposal, or its value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount. An asset or a cash-generating unit other than goodwill, for which impairment losses were recognized in prior years, is assessed at the end of the reporting period to determine whether there is any indication that the impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined mainly using the weighted-average cost formula. The cost of inventories includes purchase costs, costs of conversion, and other costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point, a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

Assets Held for Sale

An asset or disposal group for which the cash flows are expected to arise principally from sale rather than continuing use is classified as an asset held for sale when it is highly probable that the asset or disposal group will be sold within one year, the asset or disposal group is available for immediate sale in its present condition, and the management of Takeda is committed to the sale. In such cases, the asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position.

Post-employment Benefit

Takeda sponsors lump-sum payments on retirement, pensions and other plans such as post-retirement medical care as post-employment benefit plans. They are classified into defined benefit plans and defined contribution plans.

Defined Benefit Plans

Takeda uses the projected unit credit method to determine the present value, the related current service cost, and the past service cost by each defined benefit obligation. The discount rate is determined by reference to market yields on high quality corporate bonds at the end of the reporting period. The net defined benefit liabilities (assets) in the consolidated statements of financial position are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. Past service cost defined as the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment is recognized in profit or loss upon occurrence of the plan amendment or curtailment.

Re-measurement of net defined benefit plans is recognized in full as other comprehensive income and transferred to retained earnings in the period in which they are recognized.

Defined Contribution Plans

The costs for defined contribution plans are recognized as expenses when the employees render the related service.

Provisions

Provisions are recognized when Takeda has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations. Takeda's provisions consist primarily of rebates and return reserves, as well as provisions for litigation and restructuring.

Financial Instruments

Takeda's financial instruments include financial instruments related to lease contracts, trade and other receivables and payables, liabilities for contingent consideration under business combinations, and rights and obligations under employee benefit plans, which are dealt with in specific accounting policies.

Financial Assets

Initial Recognition and Measurement

Financial assets are recognized in the consolidated statements of financial position when Takeda becomes a party to the contractual provisions of the instruments. At the initial recognition, the financial assets are classified based on the nature and purpose in accordance with the following:

- Financial assets at fair value through profit or loss – Either held-for-trading financial assets or financial assets designated as financial assets at fair value through profit or loss.
- Loans and receivables – Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Available-for-sale financial assets – Non-derivative financial assets and either designated as available-for-sale financial assets or not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables.

Financial assets, except for financial assets at fair value through profit or loss, are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

Subsequent Measurement

- Financial assets at fair value through profit or loss – Financial assets at fair value through profit or loss are measured at fair value, and any gains or losses arising on re-measurement are recognized in profit or loss.
- Loans and receivables – Loans and receivables are measured at amortized cost using the effective interest method less any impairment loss. Interest income is recognized principally by applying the effective interest rate, unless the recognition of interest is immaterial as in the case of short-term receivables.
- Available-for-sale financial assets – Available-for-sale financial assets are measured at fair value as of the end of the reporting period, and the gains and losses arising from changes in fair value are recognized in other comprehensive income. Exchange differences on monetary assets are recognized in profit or loss. Dividends on available-for-sale financial assets (equity instruments) are recognized in profit or loss in the reporting period when Takeda's right to receive the dividends is established.

Impairment

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence that one or more events occurred after the initial recognition of the financial asset and it is reasonably anticipated to have had a negative impact on the estimated future cash flows of the asset. For available-for-sale equity instrument, a significant or prolonged decline in the fair value below its cost is considered objective evidence of impairment. Even when there is no objective evidence of impairment individually, certain categories of financial assets, such as trade receivables, are collectively assessed for impairment. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate on the asset. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. When an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss in the same period. In respect to available-for-sale equity investments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. In respect to available-for-sale debt instruments, if the amount of the fair value increases in a subsequent period and the increase can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss.

Derecognition

Takeda derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when Takeda transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss, and the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are recognized in the consolidated statements of financial position when Takeda becomes party to contractual provisions of financial instruments. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bonds and loans, or payables.

Financial liabilities, except for financial liabilities at fair value through profit or loss, are initially measured at fair value less transaction costs that are directly attributable to the issuance.

Subsequent Measurement

- Financial liabilities at fair value through profit or loss – Financial liabilities at fair value through profit or loss are measured at fair value, and any gains or losses arising on re-measurement are recognized in profit or loss.
- Other financial liabilities, including bonds and loans – Other financial liabilities are measured at amortized cost mainly using the effective interest method.

Derecognition

Takeda derecognizes a financial liability only when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid or payable is recognized in profit or loss.

Derivatives

Takeda hedges the risks arising mainly from their exposure to fluctuations in foreign currency exchange rates and interest rates using derivative financial instruments such as foreign exchange forward contracts, interest rate swaps, and currency swaps. Takeda does not enter into derivative transactions for trading or speculative purposes. Derivatives not qualifying for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss.

Hedge Accounting

Takeda designates certain derivatives and non-derivatives such as foreign-currency-denominated debt as cash flow hedges and hedges of net investments in foreign operations, respectively, and applies hedge accounting to them. Takeda documents the relationship between hedging instruments and hedged items based on the strategy for undertaking hedge transactions at the inception of the transaction. Takeda also assesses whether the derivatives used in hedging transactions are highly effective in achieving offsetting changes in cash flows and foreign currency of hedged items both at the hedge inception and on an ongoing basis.

Cash flow hedges – the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and in the same line item in the consolidated statements of income.

Net investment hedges – the gain or loss on hedging instruments is recognized in other comprehensive income. At the time of disposal of the foreign operations, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

Hedge accounting is discontinued when Takeda revokes the designation, when the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer qualifies for hedge accounting.

Share-based Payments

Takeda has implemented share-based payment programs and provides equity and cash-settled share-based payments.

Equity-settled Share-based Payments

Equity-settled share-based payments are granted based on the service performed by the employees, directors, and senior management. The service received and the corresponding increase in equity are measured at the fair value of the equity instruments at the grant date. The fair value of the equity instruments granted to employees, directors, and senior management are recognized as expense over the vesting period of the awards with a corresponding amount as an increase in equity.

Cash-settled Share-based Payments

Cash-settled share-based payments are granted based on the service performed by the employees, directors, and senior management. The service received and the corresponding liability are measured at the fair value of the corresponding liability. The fair value of the liability-classified awards granted to employees, directors, and senior management are recognized as expense over the vesting period of the awards with a corresponding amount as an increase in liability. Takeda re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, and recognize any changes in fair value in profit or loss.

Capital

Ordinary Shares

Proceeds from the issuance of ordinary shares by the Company are included in share capital and share premium.

Treasury Shares

When the Company acquires treasury shares, the consideration paid is recognized as a deduction from equity. When the Company sells the treasury shares, the difference between the carrying amount and the consideration received is recognized in share premium.

4. Operating Segment and Revenue Information

Takeda has historically reported Prescription Drug, Consumer Healthcare, and Other as its three operating and reportable segments.

In April 2017, Takeda disposed Wako Pure Chemical Industries, Ltd. which represented substantially all of the Other segment in terms of revenue and operating profit. Further, in March 2018, the Company announced it was considering an offer to purchase Shire plc (refer to Note 33). In connection with these changes and the Company's focus on prescription drug, the Company has reconsidered its segment structure and reporting and concluded that Takeda comprises one operating segment, consistent with how the financial information is viewed in allocating resources, measuring performance, and forecasting future periods by the CEO who is Takeda's Chief Operating Decision Maker.

As a result, the segment reporting has been changed for the year ended March 31, 2018, and the historical disclosures in the comparative periods have been restated to present the segments on a consistent basis for all periods.

Takeda's revenue is comprised of the following for the years ended March 31:

	JPY (millions)		
	2016	2017	2018
Sales of pharmaceutical products	¥1,750,910	¥1,671,911	¥1,693,838
Royalty and service income	56,468	60,140	76,693
Total	<u>¥1,807,378</u>	<u>¥1,732,051</u>	<u>¥1,770,531</u>

Takeda's revenue from customers is based in the following geographic locations for the years ended March 31:

	JPY (millions)							Total
	Japan	United States	Europe and Canada	Russia/CIS	Latin America	Asia	Other	
2016	¥688,090	¥514,420	¥309,270	¥61,821	¥68,392	¥125,961	¥39,424	¥1,807,378
2017	655,344	520,161	279,693	57,550	72,516	112,799	33,988	1,732,051
2018	580,349	598,341	313,723	68,240	75,658	104,026	30,194	1,770,531

Other includes the Middle East, Oceania and Africa.

Takeda's non-current assets are held in the following geographic locations:

	JPY (millions)			
	Japan	United States	Other	Total
As of March 31, 2017	¥410,606	¥1,293,798	¥920,316	¥2,624,720
As of March 31, 2018	413,457	1,231,051	972,401	2,616,909

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

Balances as of March 31, 2017, are revised to reflect the completed purchase price allocation of ARIAD Pharmaceutical Inc. ("ARIAD") acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Information Related to Major Customers

Takeda has one customer, Medipal Holdings Corporation and its subsidiaries (collectively, "Medipal Group"), that represents more than 10% of Takeda's total sales. The sales to the Medipal Group were 258,661 million JPY, 265,646 million JPY, and, 220,249 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively, and 56,521 million JPY and 49,565 million JPY of trade receivables at March 31, 2017 and 2018, respectively.

5. Other Operating Income and Expenses

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Other operating income:			
Receipt of contingent consideration	¥ 4,915	¥ 1,543	¥ 91
Change in fair value of contingent consideration (Note 31)	5,636	18,441	—
Gain on sales of property, plant and equipment and investment property (Note 19)	54	762	18,814
Gain on divestment of business to Teva Takeda Yakuhin (Note 14)	—	115,363	27,481
Gain on sale of shares of Wako Pure Chemical Industries, Ltd. (Note 19)	—	—	106,337
Other	10,740	7,424	16,689
Total	<u>¥21,345</u>	<u>¥143,533</u>	<u>¥169,412</u>
Other operating expenses:			
Donations and contributions	¥ 2,442	¥ 3,763	¥ 5,603
Restructuring expense (Note 23)	25,760	54,589	44,736
Loss on liquidation of foreign operations	—	—	41,465
Change in fair value of contingent consideration (Note 31)	—	—	10,523
Other	16,184	14,529	24,228
Total	<u>¥44,386</u>	<u>¥ 72,881</u>	<u>¥126,555</u>

For the year ended March 31, 2009, Takeda sold a business under terms and conditions that included a consideration that was contingent upon future events. The receipt of contingent consideration shown above represents payments received related to this disposal.

Loss on liquidation of foreign operations represents the recognition of the cumulative translation loss in the consolidated statement of income upon the liquidation of certain foreign operations.

6. Finance Income and Expenses

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Finance Income:			
Interest income	¥ 2,316	¥ 2,019	¥ 3,282
Dividends income	3,329	3,236	3,165
Gain on sales of available-for-sale financial assets	15,051	3,638	30,430
Gain on foreign currency exchange, net	—	1,897	—
Other	949	1,484	2,666
Total	¥21,645	¥12,274	¥39,543
Finance Expenses:			
Interest expense	¥ 5,271	¥ 7,560	¥10,036
Change in fair value of contingent consideration liabilities (Note 31)	7,605	3,693	2,261
Impairment of available-for-sale financial assets	2,332	3,659	6,657
Loss on derivative financial assets	5,139	5,428	—
Loss on foreign currency exchange, net	8,896	—	10,279
Other	2,688	2,909	2,695
Total	¥31,931	¥23,249	¥31,928

7. Income Taxes

Income Tax Expenses

The major components of income tax expenses are as follows:

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Current tax expenses	¥45,270	¥ 60,239	¥37,758
Deferred tax expenses	(8,211)	(32,406)	(7,261)
Total	¥37,059	¥ 27,833	¥30,497

Current tax expenses include the benefits arising from previously unused tax losses, tax credits, and temporary differences of prior periods. These effects decreased current tax expenses by 614 million JPY, 1,563 million JPY, and 8,005 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively.

Deferred tax expenses include the benefits arising from previously unused tax losses, tax credits, and temporary differences of prior periods. These effects decreased deferred tax expenses by 26,378 million JPY, 10,915 million JPY, and 2,998 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively.

The Company is mainly subject to income taxes, inhabitant tax, and deductible enterprise tax in Japan. The statutory tax rate calculated based on these taxes for the years ended March 31, 2016, 2017 and 2018 were 33.0%, 30.8% and 30.8%, respectively. The tax law changed during the periods presented, which resulted in the reduction in the statutory tax rate for the Company.

The following is a reconciliation from the Company's domestic (Japanese) tax rate to the effective tax rate for the year ended March 31:

	(Unit: Percentage)		
	2016	2017	2018
Company's domestic (Japanese) tax rate	33.0	30.8	30.8
Non-deductible expenses for tax purposes	3.4	4.7	2.6
Changes in unrecognized deferred tax assets and deferred tax liabilities	(13.4)	(5.0)	(0.6)
Tax credits	(22.2)	(6.4)	(4.7)
Differences in applicable tax rates of subsidiaries	9.7	(7.1)	(5.4)
Changes in tax effects of undistributed profit of overseas subsidiaries	(5.7)	0.5	0.1
Effect of changes in applicable tax rates	7.2	(1.8)	(12.6)
Tax contingencies	15.3	3.7	2.7
Non-deductible impairment of goodwill	—	2.3	—
Changes in fair value of contingent consideration	0.7	(3.7)	1.7
Others	2.7	1.4	(0.6)
Effective tax rate	<u>30.7</u>	<u>19.4</u>	<u>14.0</u>

The Japanese statutory tax rate was reduced from 33.0% to 30.8% beginning April 1, 2016 due to the enactment of a partial amendment of the Income Tax Act, passed by the National Diet of Japan on March 29, 2016.

In the United States, the Tax Cuts and Jobs Act ("U.S. Tax Reform") was enacted on December 22, 2017. The federal corporate tax rate was reduced from 35% to 21% beginning January 1, 2018 under the new tax law. As a consequence of U.S. Tax Reform enactment, Takeda recognized tax benefits of 27,516 million JPY during the year ended March 31, 2018, primarily from the revaluation of net deferred tax liabilities at lower future tax rates and the improved recoverability of deferred tax attributes resulting from U.S. Tax Reform enacted federal law changes. The impacts of U.S. Tax Reform described above are based on information currently available. As further interpretative guidance and clarification becomes available through legislation, U.S. Treasury action or other means, the assumptions underlying these estimates could change which could have a material impact on Takeda's results.

The decrease in Takeda's effective tax rate from 30.7% to 19.4% between the years ended March 31, 2016 and 2017, resulted primarily from a lower Japanese statutory tax rate; favorable geographical mix of earnings (in "Differences in applicable tax rates of subsidiaries"); a non-recurring favorable audit settlement during the year ended March 31, 2017, (in "Tax contingencies"); and a one-time tax provision during the year ended March 31, 2016, related to the revaluation of net deferred tax asset in Japan at a lower enacted rate, (in "Effect of changes in applicable tax rates"), partially offset by a non-recurring unfavorable audit settlement during the year ended March 31, 2016, (in "Tax contingencies"), and lower tax credits, (in "Tax credits") and less subsidiary capital redemption, (in "Changes in unrecorded deferred tax assets and deferred tax liabilities") during the year ended March 31, 2017, versus prior year.

The decrease in Takeda's effective tax rate from 19.4% to 14.0% between the years ended March 31, 2017 and 2018, was primarily due to a one-time tax benefit from the enactment of U.S. Tax Reform principally related to the revaluation of net deferred tax liability at a lower enacted tax rate and improved recoverability of deferred tax attributes resulting from U.S. Tax Reform during the year ended March 31, 2018 (in "Effect of changes in applicable tax rates"), partially offset by tax benefit from subsidiary capital redemption (in "Changes in unrecorded deferred tax assets and deferred tax liabilities") during the prior year that did not occur in the current year.

Deferred Taxes

Deferred tax assets and liabilities reported in the consolidated statements of financial position are as follows:

	JPY (millions) As of March 31	
	2017	2018
Deferred tax assets	¥ 118,968	¥ 64,980
Deferred tax liabilities	(153,396)	(90,725)
Net deferred tax liabilities	<u>¥ (34,428)</u>	<u>¥(25,745)</u>

The major items and changes in deferred tax assets and liabilities are as follows:

	JPY (millions)					As of March 31, 2017
	As of April 1, 2016	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others*	
Research and development expenses	¥ 60,836	¥ (8,111)	¥ —	¥ —	¥ (130)	¥ 52,595
Inventories	29,565	10,120	—	(1,135)	(98)	38,452
Property, plant and equipment	(41,590)	884	—	5,796	1,336	(33,574)
Intangible assets	(173,450)	77,813	—	(149,654)	(9,617)	(254,908)
Available-for-sale financial assets	(25,235)	—	(2,986)	—	(20)	(28,241)
Accrued expenses and provisions	85,493	(6,047)	—	1,482	(662)	80,266
Defined benefit plans	11,885	386	(7,688)	—	232	4,815
Deferred income	18,504	(1,652)	—	748	(38)	17,562
Unused tax losses	47,543	(26,132)	—	43,126	(1,651)	62,886
Tax credits	25,989	(872)	—	6,469	(2,023)	29,563
Investments in subsidiaries and associates	(150)	(35,311)	—	—	—	(35,461)
Other	7,914	21,328	(2,103)	749	3,729	31,617
Total	<u>¥ 47,304</u>	<u>¥ 32,406</u>	<u>¥(12,777)</u>	<u>¥ (92,419)</u>	<u>¥(8,942)</u>	<u>¥ (34,428)</u>

	JPY (millions)					As of March 31, 2018
	As of April 1, 2017	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others*	
Research and development						
expenses	¥ 52,595	¥(34,007)	¥ —	¥—	¥ (225)	¥ 18,363
Inventories	38,452	(6,561)	—	—	18	31,909
Property, plant and equipment	(33,574)	656	—	—	(111)	(33,029)
Intangible assets	(254,908)	84,254	—	—	1,696	(168,958)
Available-for-sale financial						
assets	(28,241)	—	4,074	—	89	(24,078)
Accrued expenses and						
provisions	80,266	(10,373)	—	—	(1,560)	68,333
Defined benefit plans	4,815	(3,032)	(432)	—	1,027	2,378
Deferred income	17,562	709	—	—	(503)	17,768
Unused tax losses	62,886	(16,114)	—	—	915	47,687
Tax credits	29,563	9,314	—	—	(2,456)	36,421
Investments in subsidiaries and						
associates	(35,461)	6,762	—	—	89	(28,610)
Other	31,617	(24,347)	(1,570)	—	371	6,071
Total	¥ (34,428)	¥ 7,261	¥ 2,072	¥—	¥ (650)	¥ (25,745)

* Other consists primarily of foreign currency translation difference and the tax impact relating to assets and liabilities classified as held for sale.

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Takeda considers the probability that a portion, or all of the future deductible temporary differences or unused tax losses can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, Takeda considers the scheduled reversal of taxable temporary differences, projected future taxable profits, and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits during the periods in which the temporary differences become deductible, Takeda determined that it is probable that the tax benefits can be utilized.

The unused tax losses, deductible temporary differences, and unused tax credits for which deferred tax assets were not recognized are as follows:

	JPY (millions)	
	As of March 31 2017	2018
Unused tax losses	¥87,070	¥36,878
Deductible temporary differences	984	11,593
Unused tax credits	10,442	7,954

The unused tax losses and unused tax credits for which deferred tax assets were not recognized will expire as follows:

	JPY (millions) As of March 31	
	2017	2018
Unused tax losses		
1st year	¥ —	¥ —
2nd year	—	92
3rd year	56	8,901
4th year	1,599	505
5th year	577	301
After 5th year	84,838	27,079
Total	¥87,070	¥36,878
Unused tax credits		
Less than 5 years	¥ 4,114	¥3,201
5 years or more	6,328	4,753
Total	¥10,442	¥7,954

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax assets were not recognized were 200,322 million JPY and 140,647 million JPY as of March 31, 2017 and 2018, respectively.

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were 178,529 million JPY, and 157,656 million JPY as of March 31, 2017 and 2018, respectively.

8. Earnings per Share

The basis for calculating basic and diluted earnings per share (“EPS”) (attributable to owners) for the years ended March 31 is as follows:

	2016	2017	2018
Net profit for the year attributable to owners of the Company:			
Net profit for the year attributable to owners of the Company JPY (millions)	80,166	114,940	186,886
Net profit used for calculation of earnings per share JPY (millions)	80,166	114,940	186,886
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [basic]	783,933	781,096	780,812
Dilutive effect (thousands of shares)	4,235	4,792	5,895
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [diluted]	788,168	785,888	786,707
Earnings per share			
Basic (JPY)	102.26	147.15	239.35
Diluted (JPY)	101.71	146.26	237.56

Basic EPS is calculated by dividing the net profit for the year attributable to owners of the Company, with the weighted average number of ordinary shares outstanding during the year. This calculation excludes the average number of treasury shares. Diluted EPS is calculated by dividing the net profit for the year attributable to

owners of the Company, with the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued upon conversion of all the dilutive ordinary shares into ordinary shares.

There were 901 thousand shares, such as stock options that are anti-dilutive, not included in the calculation of diluted earnings per share for the year ended March 31, 2017. There were no anti-dilutive shares for the years ended March 31, 2016 and 2018.

9. Other Comprehensive Income (Loss)

Amounts arising during the year, reclassification adjustments to profit or loss, and tax effects for each component of other comprehensive income (loss) are as follows:

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Re-measurement (loss) or gain on defined benefit plans:			
Amounts arising during the year	¥ (27,905)	¥ 23,242	¥ 1,156
Tax effects	9,765	(7,688)	(432)
Re-measurement (loss) or gain on defined benefit plans	<u>(18,140)</u>	<u>15,554</u>	<u>724</u>
Exchange differences on translation of foreign operations:			
Amounts arising during the year	(85,326)	(51,252)	8,125
Reclassification adjustments to (loss) or profit	(170)	22	39,964
Before tax effects	(85,496)	(51,230)	48,089
Tax effects	—	(590)	(1,478)
Exchange differences on translation of foreign operations	<u>(85,496)</u>	<u>(51,820)</u>	<u>46,611</u>
Net changes in revaluation of available-for-sale financial assets:			
Amounts arising during the year	(11,083)	12,485	24,413
Reclassification adjustments to (loss) or profit	(15,036)	22	(23,773)
Before tax effects	(26,119)	12,507	640
Tax effects	8,806	(2,986)	4,074
Net changes on revaluation of available-for-sale financial assets	<u>(17,313)</u>	<u>9,521</u>	<u>4,714</u>
Cash flow hedges:			
Amounts arising during the year	(79,255)	6,933	1,670
Reclassification adjustments to profit or (loss)	76,533	(418)	3,425
Before tax effects	(2,722)	6,515	5,095
Tax effects	855	(2,103)	(1,570)
Cash flow hedges	<u>(1,867)</u>	<u>4,412</u>	<u>3,525</u>
Share of other comprehensive income of investments accounted for using the equity method:			
Amounts arising during the year	(265)	(38)	295
Reclassification adjustments to (loss) or profit	(1)	—	87
Before tax effects	(266)	(38)	382
Tax effects	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	<u>(266)</u>	<u>(38)</u>	<u>382</u>
Total other comprehensive (loss) income for the year	<u>¥(123,082)</u>	<u>¥(22,371)</u>	<u>¥ 55,956</u>

10. Property, Plant and Equipment

	JPY (millions)					
	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
Acquisition cost						
As of April 1, 2016	¥ 547,039	¥ 423,357	¥ 129,303	¥ 81,607	¥ 42,533	¥1,223,839
Additions	14,485	11,519	5,102	—	41,301	72,407
Acquisitions through business combinations	2,460	507	101	—	—	3,068
Transfers	7,347	16,289	1,501	(118)	(25,632)	(613)
Disposals and other decreases	(9,160)	(12,758)	(7,877)	(229)	(271)	(30,295)
Reclassification to assets held for sale (Note 19)	(40,778)	(46,499)	(18,681)	(10,231)	(844)	(117,033)
Foreign currency translation differences	(3,806)	(4,584)	(1,357)	(529)	(309)	(10,585)
Other	(2,385)	(3,647)	(684)	(914)	1,274	(6,356)
As of March 31, 2017	¥ 515,202	¥ 384,184	¥ 107,408	¥ 69,586	¥ 58,052	¥1,134,432
Additions	19,778	11,327	6,288	63	37,071	74,527
Acquisitions through business combinations	—	—	—	—	—	—
Transfers	15,741	19,184	1,615	72	(37,382)	(770)
Disposals and other decreases	(864)	(8,459)	(9,564)	(77)	(376)	(19,340)
Reclassification to assets held for sale (Note 19)	(1,830)	(2,066)	(276)	(94)	—	(4,266)
Foreign currency translation differences	630	5,020	767	541	626	7,584
Other	(328)	(445)	313	(2)	(307)	(769)
As of March 31, 2018	¥ 548,329	¥ 408,745	¥ 106,551	¥ 70,089	¥ 57,684	¥1,191,398
Accumulated depreciation and accumulated impairment losses						
As of April 1, 2016	¥(237,696)	¥(325,977)	¥(107,312)	¥ (938)	¥ —	¥ (671,923)
Depreciation expenses	(20,683)	(22,241)	(8,511)	—	—	(51,435)
Impairment losses	(723)	(1,840)	(512)	(154)	(2,619)	(5,848)
Transfers	425	(1,604)	1,569	—	—	390
Disposals and other decreases	8,460	11,668	7,749	146	—	28,023
Reclassification to assets held for sale (Note 19)	23,237	40,691	16,198	—	—	80,126
Foreign currency translation differences	2,041	3,825	1,081	23	—	6,970
Other	2,145	3,361	541	562	—	6,609
As of March 31, 2017	¥(222,794)	¥(292,117)	¥ (89,197)	¥ (361)	¥ (2,619)	¥ (607,088)
Depreciation expenses	(19,480)	(21,357)	(6,670)	—	—	(47,507)
Impairment losses	(13,620)	(454)	(9)	—	(137)	(14,220)
Transfers	637	5	90	—	—	732
Disposals and other decreases	701	7,126	9,268	—	—	17,095
Reclassification to assets held for sale (Note 19)	525	846	171	—	—	1,542
Foreign currency translation differences	(774)	(3,829)	(533)	(34)	—	(5,170)
Other	106	21	(108)	—	—	19
As of March 31, 2018	¥(254,699)	¥(309,759)	¥ (86,988)	¥ (395)	¥ (2,756)	¥ (654,597)
Carrying amount						
As of April 1, 2016	¥ 309,343	¥ 97,380	¥ 21,991	¥ 80,669	¥ 42,533	¥ 551,916
As of March 31, 2017	292,408	92,067	18,211	69,225	55,433	527,344
As of March 31, 2018	293,630	98,986	19,563	69,694	54,928	536,801

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Property, plant and equipment includes assets held under finance leases. The carrying amount of these assets is as follows:

	JPY (million)		
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of April 1, 2016	¥48,564	¥3,948	¥1,044
As of March 31, 2017	61,375	2,702	494
As of March 31, 2018	55,941	1,523	330

Takeda recognized the following impairment losses, which are reflected as follows, in the consolidated statements of income:

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Cost of sales	¥ (65)	¥(1,079)	¥ (365)
Selling, general and administrative expenses	(434)	—	—
Research and development expenses	(68)	(678)	—
Other operating expenses	(1,817)	(4,091)	(13,855)
Total	<u>¥(2,384)</u>	<u>¥(5,848)</u>	<u>¥(14,220)</u>

Impairment loss for the year ended March 31, 2016 was primarily related to the write down of a manufacturing plant to fair value less costs to sell upon its classification as held for sale assets. Impairment loss for the year ended March 31, 2017 was primarily due to the impairment of construction in progress relating to construction of a facility that was terminated following the decision to discontinue a product to be manufactured at this facility. Impairment loss for the year ended March 31, 2018 was related primarily to buildings and structures in research equipment which were deemed as underutilized assets, related to the Research and Development (“R&D”) transformation strategy.

The carrying amounts of the impaired assets were reduced to the recoverable amounts, which were measured at the fair value less costs of disposal using values, such as expected sales amounts. This fair value is classified as Level 3 in the fair value hierarchy.

11. Goodwill

	JPY (millions)	
	2017	2018
Acquisition cost		
As of beginning of the year	¥ 779,316	¥1,020,471
Acquisitions (Note 31)	273,627	3,256
Deconsolidation	—	(899)
Foreign currency translation differences	(32,472)	6,512
Reclassification to assets held for sale (Note 19)	—	(49)
As of end of the year	<u>¥1,020,471</u>	<u>¥1,029,291</u>
Accumulated impairment losses		
As of beginning of the year	¥ —	¥ (897)
Impairment losses	(903)	—
Deconsolidation	—	899
Foreign currency translation differences	6	(45)
As of end of the year	<u>¥ (897)</u>	<u>¥ (43)</u>
Carrying amount		
As of beginning of the year	¥ 779,316	¥1,019,574
As of end of the year	1,019,574	1,029,248

Goodwill is allocated to the following groups of cash-generating units (“CGU”):

	JPY (millions)	
	As of March 31	
	2017	2018
Prescription drugs sold worldwide	¥ 554,659	¥ 527,481
Prescription drugs sold outside of the United States and Japan	391,889	429,363
Other	73,026	72,404
Total	<u>¥1,019,574</u>	<u>¥1,029,248</u>

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Impairment loss for goodwill is recognized if the recoverable amount of goodwill is less than the carrying amount. The recoverable amount is the greater of fair value less costs to sell, or value in use. Value in use is calculated by discounting the estimated future cash flows based on a three-year projection approved by management using an appropriate growth rate and a discount rate.

The significant assumptions used to calculate the recoverable amount (value in use) are as follows:

	Growth Rate	Discount Rate (Post-tax)	Discount Rate (Pre-tax)
	Based on country/market specific long-term average growth rate for the CGU	Based on country/market specific weighted average cost of capital	Based on country/market specific weighted average cost of capital
March 31, 2016	1.6% – 2.6%	5.8% – 13.5%	8.3% – 16.9%
March 31, 2017	1.5% – 2.7%	4.9% – 13.5%	7.0% – 16.9%
March 31, 2018	1.5% – 3.2%	5.6% – 14.4%	8.0% – 18.0%

During the year ended March 31, 2017, Takeda recognized a goodwill impairment loss of 903 million JPY, which is recorded in other operating expenses. There was no impairment recognized during the years ended March 31, 2016 and 2018.

The value in use substantially exceeds the relevant carrying amount in each group of CGUs, and a reasonable change in the assumptions would not result in an impairment.

12. Intangible Assets

	JPY (millions)			
	Software	Intangible Assets Associated with Products	Other	Total
Acquisition cost				
As of April 1, 2016	¥ 62,143	¥ 1,556,854	¥ 23,813	¥ 1,642,810
Additions	12,990	62,282	463	75,735
Acquisitions through business combinations (Note 31)	—	433,047	—	433,047
Disposals and other decreases	(3,152)	(47,368)	(8)	(50,528)
Reclassification to assets held for sale (Note 19)	(1,774)	—	(1,048)	(2,822)
Foreign currency translation differences	(1,053)	(27,219)	117	(28,155)
As of March 31, 2017	¥ 69,154	¥ 1,977,596	¥ 23,337	¥ 2,070,087
Additions	16,934	32,594	1	49,529
Acquisitions through business combinations (Note 31)	—	41,764	—	41,764
Disposals and other decreases	(1,975)	(4,517)	(8)	(6,500)
Reclassification to assets held for sale (Note 19)	(158)	(2,655)	—	(2,813)
Deconsolidation	—	(2,356)	—	(2,356)
Foreign currency translation differences	830	(21,565)	(1,126)	(21,861)
As of March 31, 2018	¥ 84,785	¥ 2,020,861	¥ 22,204	¥ 2,127,850
Accumulated amortization and accumulated impairment losses				
As of April 1, 2016	¥(42,871)	¥ (845,242)	¥(11,569)	¥ (899,682)
Amortization	(6,312)	(112,459)	(300)	(119,071)
Impairment losses	—	(44,609)	—	(44,609)
Disposals and other decreases	2,796	41,908	267	44,971
Reclassification to assets held for sale (Note 19)	657	—	510	1,167
Foreign currency translation differences	719	9,280	175	10,174
As of March 31, 2017	¥(45,011)	¥ (951,122)	¥(10,917)	¥(1,007,050)
Amortization	(8,045)	(126,108)	(41)	(134,194)
Impairment losses	(88)	(19,080)	—	(19,168)
Reversal of impairment losses	—	23,057	—	23,057
Disposals and other decreases	1,242	2,397	6	3,645
Reclassification to assets held for sale (Note 19)	118	2,079	—	2,197
Deconsolidation	—	2,356	—	2,356
Foreign currency translation differences	13	15,557	1	15,571
As of March 31, 2018	¥(51,771)	¥(1,050,864)	¥(10,951)	¥(1,113,586)
Carrying amount				
As of April 1, 2016	¥ 19,272	¥ 711,612	¥ 12,244	¥ 743,128
As of March 31, 2017	24,143	1,026,474	12,420	1,063,037
As of March 31, 2018	33,014	969,997	11,253	1,014,264

There were no material internally generated intangible assets recorded in the consolidated statements of financial position.

The intangible assets associated with products are comprised of the following:

	JPY (millions)		
	Marketed Products	In-Process R&D	Carrying amount
As of April 1, 2016	¥617,269	¥ 94,343	¥ 711,612
As of March 31, 2017	645,449	381,025	1,026,474
As of March 31, 2018	698,329	271,668	969,997

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Marketed products mainly represent license rights associated with commercialized products. These include intangible assets associated with *Pantoprazole* acquired through the acquisition of Nycomed, which represent 340,396 million JPY and 318,281 million JPY as of March 31, 2017 and 2018, respectively, and intangible assets associated with Brigatinib and ICLUSIG acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 134,872 million JPY and 204,378 million JPY as of March 31, 2017 and 2018, respectively.

The remaining amortization period is 4 to 9 years as of March 31, 2018 for the assets acquired through the acquisition of Nycomed and 9 to 13 years for the assets acquired through the acquisition of ARIAD Pharmaceuticals, Inc.

In-process R&D mainly represents products in development and license rights obtained in connection with Takeda's in-licensing and collaboration agreements. These agreements relate to the right to sell products that are being developed (refer to Note 13). These intangible assets are not subject to amortization. These include intangible assets associated mainly with Brigatinib acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 288,189 million JPY and 182,002 million JPY as of March 31, 2017 and 2018, respectively.

Impairment

Takeda's impairment assessment for intangible assets requires a number of significant judgments to be made by management to estimate the recoverable amount, including the estimated pricing and costs, likelihood of regulatory approval, and the estimated market and Takeda's share of the market. The most significant assumption for intangible assets associated with marketed products is the product market share of the therapeutic area and estimated pricing, whereas the most significant assumption with pre-marketed products and In-process R&D is the probability of regulatory approval. A change in these assumptions may have a significant impact on the amount, if any, of an impairment charge recorded during a period. For example, negative results from a clinical trial may change the assumption and result in an impairment. Products in development may be fully impaired when a trial is unsuccessful and there is no alternative use for the development asset.

Takeda recorded impairment losses of 10,002 million JPY (net of reversal of previous impairment), impairment losses of 44,609 million JPY, and reversal of impairment losses 3,889 million JPY (net of impairment losses) during the year ended March 31, 2016, 2017, and 2018, respectively. These losses are primarily recognized in amortization and impairment losses on intangible assets associated with products in the consolidated statement of income.

During the year ended March 31, 2016, Takeda recorded impairment losses of 18,555 million JPY resulting from a decision to relinquish its marketing rights for a product that was in-licensed during the prior year

because of reduced sales of the product. The recoverable amount of the impaired assets amounted to 16,151 million JPY. This was offset by reversal of a previously recorded impairment loss of 8,553 million JPY related to COLCRYS, which was previously impaired due to a decline in expected profitability caused by the launch of a competing product. The subsequent sales performance indicated that the impairment loss had decreased and, therefore, was partially reversed. The recoverable amount of the assets subject to reversal amounted to 72,884 million JPY.

During the year ended March 31, 2017, Takeda recorded impairment losses of 44,609 million JPY primarily resulting from a decision to terminate development of certain products and competitive product launches. The recoverable amount of the impaired assets amounted to 45,275 million JPY. Specifically, during the year ended March 31, 2017, Takeda recorded an impairment of 16,003 million JPY due to a decline in expected profitability of COLCRYS, an impairment of 7,889 million JPY due to the termination of development of an oncology product, and an impairment of 3,359 million JPY due to the termination of development of a vaccine product.

During the year ended March 31, 2018, Takeda recorded reversal of a previously recorded impairment loss of 23,057 million JPY mainly related to COLCRYS based on more favorable sales performance. The recoverable amount of the assets related to the reversal was 49,113 million JPY. This was offset by impairment losses of 19,168 million JPY primarily resulting from a decision to terminate development of certain products. The recoverable amount of the impaired assets amounted to 3,185 million JPY.

Impairment losses were calculated by deducting the recoverable amount from the carrying amount.

The significant assumptions used to calculate the recoverable amount (value in use) are as follows:

	<u>Discount Rate (Post-tax)</u>	<u>Discount Rate (Pre-tax)</u>
March 31, 2016	7.7% – 14.5%	10.6% – 23.4%
March 31, 2017	5.7% – 13.5%	8.3% – 16.9%
March 31, 2018	6.5% – 14.4%	9.4% – 18.5%

A part of the recoverable amount was measured at the fair value, less cost of disposal (the amount that was expected to be received by selling the assets). This fair value is classified as Level 3 in the fair value hierarchy.

13. Collaborations and Licensing Arrangements

Takeda is party to certain collaborative and licensing arrangements. These agreements generally provide for commercialization rights to a product or products being developed by the counterparty, and, in exchange, often resulted in an up-front payment is paid upon execution of the agreement and resulting an obligation that requires Takeda to make future development, regulatory approval, or commercial milestone payments as well as royalty payments. In some of these arrangements, Takeda and the licensee are both actively involved in the development and commercialization of the licensed product, and have exposure to risks and rewards that are dependent on its commercial success.

Under the terms of these collaboration and licensing arrangements, Takeda made the following payments during the years ended March 31:

	<u>JPY (millions)</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Initial up-front and milestone payments	¥22,472	¥62,282	¥32,594
Acquisition of shares of collaboration and in-licensing partners	1,207	2,480	15,074

As of March 31, 2018, Takeda had the potential to make future payments related to its option when exercised to acquire the collaboration and in-licensing partners' equity interest for the future development and the commercialization of the licensed products. Such potential future payments may total up to approximately 80 billion JPY.

Collaboration and in-licensing arrangements

The following is a description of Takeda's significant collaboration agreements.

Mersana Therapeutics ("Mersana")

In March 2014, Takeda entered into an agreement with Mersana related to the development of antibody drug conjugates, which was expanded in January 2015 and again in February 2016. Under the agreements, Takeda and Mersana have identified certain product candidates and agreed terms of development and commercial rights between the parties. The rights vary based on product candidates. Takeda's rights include various combination of development rights (exclusive, non-exclusive and development led by Mersana) and commercialization rights (worldwide and specific geographic regions). The agreement required an up-front payment, investment in Mersana, future milestone payments and royalties on the future sales of products.

TESARO, Inc. ("TESARO")

In July 2017, Takeda entered into an exclusive licensing agreement with TESARO for the commercialization and clinical development of Niraparib, a novel poly ADP-ribose polymerase inhibitor. The collaboration agreement grants Takeda the right to develop and commercialize all indications in Japan and all indications, except prostate cancer, in South Korea, Taiwan, Russia and Australia. Under the terms of this agreement, Takeda has made an up-front payment and is required to make additional milestone payments upon the achievement of certain regulatory and commercial goals. TESARO will also be eligible to receive from Takeda tiered royalties based on a double-digit percentage of net product sales.

Denali Therapeutics ("Denali")

In January 2018, Takeda entered into a collaboration agreement with Denali to develop and commercialize up to three specified therapeutic product candidates for neurodegenerative diseases. Each program is directed to a genetically validated target for neurodegenerative disorders, including Alzheimer's disease and other indications, and incorporates Denali's Antibody Transport Vehicle platform for increased exposure of biotherapeutic products in the brain. Under the terms of the agreement, Takeda made an up-front payment in exchange for certain option rights and the purchase of Denali equity. In addition, Denali is eligible to receive development and commercial milestone payments. Denali will be responsible for all development activities and costs prior to Investigational New Drug filing for each of the three programs. Takeda has the option to co-develop and co-commercialize each of the three programs. If Takeda exercises the option, the parties will then jointly conduct clinical development and share all costs equally. Denali will lead early clinical development activities and Takeda will lead late-stage clinical development activities. Takeda and Denali will jointly commercialize the products in the United States and China, and Takeda will have exclusive commercialization rights in all other markets. The parties will share global profits equally.

Wave Life Sciences Ltd. ("Wave")

In February 2018, Takeda entered into an agreement with Wave to discover, develop and commercialize nucleic acid therapies for disorders of the central nervous system ("CNS") and the agreement became effective in April 2018 after the receipt of clearance under the Hart-Scott-Rodino Antitrust Improvement Act (HSR Act). Under the agreement, Wave will provide Takeda the option to co-develop and co-commercialize programs in areas of Huntington's disease (HD), amyotrophic lateral sclerosis (ALS), frontotemporal dementia (FTD) and

spinocerebellar ataxia type 3 (SCA3). In addition, Takeda will have the right to license multiple preclinical programs targeting CNS disorders, including Alzheimer’s disease and Parkinson’s disease. The agreement required an up-front payment, investment in Wave and future contingent payments such as development and commercial milestone payments. Wave will continue to independently advance its activities in neuromuscular diseases, including its lead clinical program for the treatment of Duchene muscular dystrophy (DMD).

Out-licensing agreements

Takeda has entered into various licensing arrangements where it has licensed certain product or intellectual property rights for consideration such as equity interests of partners, up-front payments, development milestones, sales milestones and/or royalty payments.

14. Investments Accounted for Using the Equity Method

Teva Takeda Pharma

Teva Takeda Pharma Ltd. (“Teva Takeda Pharma”) is a business venture of Takeda and Teva Pharmaceutical Industries Ltd. (“Teva”) headquartered in Israel.

On April 1, 2016, Takeda sold its off-patented and long-listed products business in Japan to Teva Takeda Yakuhin Ltd. (“Teva Takeda Yakuhin”), a subsidiary of Teva Takeda Pharma, and received 49.0% of shares of Teva Takeda Pharma as consideration for the business. The remainder of Teva Takeda Pharma is owned by a subsidiary of Teva. The long-listed products business had a book value of 3,755 million JPY on the date of disposal. Takeda has significant influence over Teva Takeda Pharma and has applied the equity method. Takeda accounted for the transaction based on IAS 28 ‘Investments in Associates and Joint Ventures’. Under this accounting, Takeda recognized a gain for the difference between the fair value consideration received (shares of Teva Takeda Pharma) and the carrying value of the business to the extent it had disposed of the business and it deferred the remainder of the gain (49%). The gain on transfer of business recorded in other operating income for the year ended March 31, 2017 was 115,363 million JPY, which included the gain of 102,899 million JPY recognized at the date of disposal. The remainder of the gain was deferred and is amortized over 15 years, which is the same period as the intangible assets identified in the purchase price allocation. The amortization of the gain is recorded in other operating income.

Teva Takeda Pharma, which continues its generics business, and Teva Takeda Yakuhin, which operates the long-listed products business and its generics business, are jointly engaged in business in Japan. Takeda recognizes revenue for product sales of goods related to its supply of the long-listed products, to Teva Takeda Yakuhin and service revenue for its distribution using its channel to deliver products including generic products of Teva Takeda Pharma and Teva Takeda Yakuhin, to healthcare providers.

The summarized consolidated financial information of Teva Takeda Pharma and Teva Takeda Yakuhin is as follows:

	JPY (millions)	
	For the Year Ended March 31	
	2017	2018
Revenue	¥105,547	¥103,719
Net loss for the year	(4,132)	(66,301)
Other comprehensive income (loss)	—	—
Total comprehensive loss for the year	(4,132)	(66,301)
Total comprehensive loss for the year (49.0%)	(2,025)	(32,487)
Other	(120)	(137)
Takeda’s share of loss for the year	<u>¥ (2,145)</u>	<u>¥ (32,624)</u>

	JPY (millions) As of March 31	
	2017	2018
Non-current assets	¥255,179	¥163,979
Current assets	107,656	97,865
Non-current liabilities	(57,412)	(31,901)
Current liabilities	(25,019)	(20,119)
Equity	<u>¥280,404</u>	<u>¥209,824</u>
Takeda's share of equity	¥137,398	¥102,814
Goodwill	66,094	66,094
Deferred gain	(86,519)	(73,554)
Carrying amount of investments accounted for using the equity method	<u>¥116,973</u>	<u>¥ 95,354</u>

The results of Teva Takeda Pharma and Teva Takeda Yakuhin for the year ended March 31, 2018 included an impairment loss of 104,753 million JPY of which, 35,725 million JPY represents Takeda's share which was due to the 2018 revision of the pharmaceutical pricing system in Japan and the resulting changes in the business environment.

No dividend was received from Teva Takeda Pharma for the year ended March 31, 2017. Takeda received dividends of 4,159 million JPY from Teva Takeda Pharma for the year ended March 31, 2018. Teva Takeda Pharma cannot distribute its profits without the consent from the two venture partners.

Associates that are Individually Immaterial to Takeda

Financial information for associates, which are individually immaterial to Takeda, is as follows: These amounts are based on the shareholding ratio of Takeda.

	JPY (millions) For the Year Ended March 31		
	2016	2017	2018
Net (loss) profit for the year	¥ (3)	¥599	¥425
Other comprehensive (loss) income	(266)	(38)	382
Total comprehensive (loss) income for the year	<u>¥(269)</u>	<u>¥561</u>	<u>¥807</u>

The carrying amount of the investments in associates, which are individually immaterial to Takeda, is as follows:

	JPY (millions) As of March 31	
	2017	2018
Carrying amount of investments accounted for using the equity method	¥9,438	¥12,595

15. Other Financial Assets

	JPY (millions) As of March 31	
	2017	2018
Derivative assets	¥ 2,960	¥ 3,289
Available-for-sale financial assets	164,490	171,884
Restricted deposits	52,530	87,381
Time deposits	1,131	—
Other	12,208	14,528
Total	<u>¥233,319</u>	<u>¥277,082</u>
Non-current	¥176,636	¥196,436
Current	¥ 56,683	¥ 80,646

As of March 31, 2017, and 2018, available-for-sale financial assets included 155,368 million JPY and 163,030 million JPY, respectively, of investments in public companies, and are considered Level 1 in the fair value hierarchy as defined in Note 27. The remainder of the available-for-sale assets primarily relate to investments acquired in connection with collaboration and research agreements (refer to Note 13).

The restricted deposits mainly represent cash held as required by the agreements entered into for anticipated acquisitions. This included cash held at March 31, 2017 for the acquisition of business from Unipharm, Inc., and at March 31, 2018 primarily for the expected acquisition of TiGenix NV (refer to Note 33).

16. Inventories

	JPY (millions) As of March 31	
	2017	2018
Finished products and merchandise	¥ 94,281	¥ 86,254
Work-in-process	61,951	63,145
Raw materials and supplies	69,816	63,545
Total	<u>¥226,048</u>	<u>¥212,944</u>

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

The amount of inventory write-offs recognized as expenses was 10,936 million JPY, 11,621 million JPY, and 10,292 million JPY for the years ended March 31, 2016, 2017 and 2018 respectively.

17. Trade and Other Receivables

	JPY (millions) As of March 31	
	2017	2018
Trade receivables	¥366,181	¥369,652
Other receivables	66,952	59,414
Allowance for doubtful receivables	(9,728)	(8,819)
Total	<u>¥423,405</u>	<u>¥420,247</u>

18. Cash and Cash Equivalents

	JPY (millions) As of March 31	
	2017	2018
Cash and deposits	¥278,488	¥243,324
Short-term investments	40,967	51,198
Total	<u>¥319,455</u>	<u>¥294,522</u>

19. Assets and Disposal Groups Held for Sale

Assets Held for Sale

	JPY (millions) As of March 31	
	2017	2018
Buildings and structures	¥ 349	¥ 98
Machinery and vehicles	477	—
Tools, furniture and fixtures	23	—
Land	227	65
Investment property	15,835	—
Investments accounted for using the equity method	—	18
Total	<u>¥16,911</u>	<u>¥181</u>

Takeda has classified certain assets as held for sale in the consolidated statement of financial position. Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through a sale and the sale is considered highly probable. The assets held for sale are held at the lower of carrying amount or fair value, less costs to sell.

The assets held for sale as of March 31, 2017, represent primarily investment property that was classified as held for sale during the year based on management's decision to sell this property. No impairment was recorded upon classification of the building as held for sale. The building was sold during the year ended March 31, 2018 and a gain of 16,022 million JPY was recognized in other operating income.

The assets held for sale as of March 31, 2018 represent primarily buildings and structures that were classified as held for sale during the year then ended based on management decision to sell this property. No impairment was recorded upon classification of the building as held for sale.

The fair value of assets is based on valuations by independent appraisers who hold recognized and relevant professional qualifications in the respective location of assets held for sale. The valuations, which conform to the standards of the location, are based on market evidence of transaction prices for similar assets. The fair value of assets held for sale is classified as Level 3 in the fair value hierarchy.

Disposal Groups Held for Sale

	JPY (millions) As of March 31	
	2017	2018
Property, plant and equipment	¥ 36,634	¥ —
Intangible assets	1,655	—
Inventories	22,223	1,202
Trade and other receivables	28,978	1,466
Cash and cash equivalents	21,797	451
Other	10,108	692
Total assets	<u>¥121,395</u>	<u>¥3,811</u>
Bonds and loans	¥ 60,000	¥ —
Net defined benefit liabilities	2,372	—
Provisions	107	1,066
Deferred tax liabilities	832	—
Trade and other payables	14,999	165
Other	10,346	1,983
Total liabilities	<u>¥ 88,656</u>	<u>¥3,214</u>

Gains or losses recognized resulting from measuring the disposal groups classified as held for sale at the lower of their carrying amounts or fair value, less costs to sell when assets or disposal groups are classified to held for sale, are recorded as other operating expense.

The disposal groups held for sale as of March 31, 2017, consisted mainly of a group of assets and liabilities related to Takeda's consolidated subsidiary, Wako Pure Chemical Industries, Ltd. ("Wako"). On December 15, 2016, Takeda entered into an agreement to sell the subsidiary to FUJIFILM Corporation, and reclassified the disposal group as held for sale. Wako, a chemical company, was disposed of as it was no longer aligned with Takeda's core business activities. No impairment was recorded upon classification of the disposal group as held for sale. At the time of sale, the carrying value of Wako's net assets was de minimis. Takeda sold Wako and recorded a gain of 106,337 million JPY in other operating income. The proceeds from the sale netted with Wako's cash-on-hand of 21,782 million JPY comprised the majority of Takeda's proceeds from sales of business of 85,080 million JPY for the year ended March 31, 2018.

The disposal groups held for sale as of March 31, 2018, consisted mainly of a group of assets, liabilities, and other comprehensive income related to Takeda's consolidated subsidiary, Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda., and reclassified as held for sale. The shares of the subsidiary have been sold in July 2018.

Takeda recorded a loss of 3,213 million JPY on the classification of the disposal group as held for sale for the year ended March 31, 2018. The fair value of disposal group held for sale is classified as Level 2 in the fair value hierarchy.

20. Bonds and Loans

	JPY (millions) As of March 31			
	2017	2018	Average Interest Rate (%)	Maturity Period
Bonds	¥ 179,836	¥172,889	1.2	July 2019 – January 2022
Short-term loans	405,054	18	1.1	
Long-term loans	560,000	812,755	0.5	July 2019 – April 2027
Total	<u>¥1,144,890</u>	<u>¥985,662</u>		
Non-current	¥ 599,862	¥985,644		
Current	¥ 545,028	¥ 18		

“Average interest rate” represents the weighted-average rate on the balance as of March 31, 2018. The interest rate fixed by the interest rate swaps is used for a portion of the long-term loans identified in the above table.

A summary of the bond terms is as follows:

JPY (millions) As of March 31						
Name of Bond	Date of Issuance	2017	2018	Interest Rate (%)	Collateral	Date of Maturity
13th Unsecured straight bonds	March 22, 2012	¥ 59,974	¥ —	0.5	—	March 22, 2018
14th Unsecured straight bonds	July 19, 2013	59,942	59,967	0.5	—	July 19, 2019
15th Unsecured straight bonds	July 19, 2013	59,920	59,944	0.7	—	July 17, 2020
US dollar unsecured senior notes (Due in 2022)	July 18, 2017	—	52,978 (500 million USD)	2.5	—	January 18, 2022
Total		<u>¥179,836</u>	<u>¥ 172,889</u>			

The US dollar unsecured senior notes were issued in overseas markets, and are presented in US dollar amounts. At the time of issuance, Takeda had entered into foreign currency swap agreement to hedge the JPY amount for 200 million US dollar of the unsecured senior notes.

21. Other Financial Liabilities

	JPY (millions) As of March 31	
	2017	2018
Derivative liabilities	¥ 9,893	¥ 8,871
Finance lease obligations	58,811	53,149
Contingent consideration arising from business combinations (Note 31)	28,976	30,569
Other	12,996	28,247
Total	<u>¥110,676</u>	<u>¥120,836</u>
Non-current	¥ 81,778	¥ 91,223
Current	¥ 28,898	¥ 29,613

The future minimum payments related to the finance lease obligations are as follows:

	JPY (millions) As of March 31			
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017	2018	2017	2018
Within one year	¥ 4,995	¥ 4,808	¥ 2,111	¥ 2,127
Between one year and five years	17,647	14,335	7,297	4,704
More than five years	87,474	80,018	49,403	46,318
Total	<u>¥110,116</u>	<u>¥99,161</u>	<u>¥58,811</u>	<u>¥53,149</u>
Less: Future finance charges	51,305	46,012		
Present value of minimum lease payments	<u>¥ 58,811</u>	<u>¥53,149</u>		
Non-current	¥ 56,700	¥51,022		
Current	¥ 2,111	¥ 2,127		

The weighted average interest rates of the non-current and current finance lease obligations as of March 31, 2018 were 5.0 % and 5.6 %, respectively.

22. Employee Benefits

Defined Benefit Plans

The Company and some of its subsidiaries have various defined benefit plans such as lump-sum retirement payments plans, and defined benefit pension plans, which define the amount of benefits that an employee will receive on or after retirement, usually based on one or more factors, such as age, years of service, compensation, classes, and earned points, based on service.

The Company's defined benefit plans account for the majority of Takeda's defined benefit obligations and plan assets. The Company has a corporate defined benefit pension plan and a lump-sum retirement payment plan.

Defined benefit pension plans

The Company's corporate defined benefit pension plan in Japan is a funded defined benefit pension plan, which is regulated by the Defined-Benefit Corporate Pension Act, one of the Japanese pension laws. Benefits are paid in exchange for services rendered by employees who worked for more than a specified period, typically three years, considering their years of service and the degree of their contribution to the Company.

The Company's pension fund (the "Fund") is an independent entity established in accordance with the Japanese pension laws, and Takeda has an obligation to make contributions. The Director(s) of the Fund has the fiduciary duty to comply with laws; the directives by the Minister of Health, Labor and Welfare, and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws; and the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

The present value of the defined benefit obligation is calculated annually based on actuarial valuations that are dependent upon a number of assumptions, including discount rates and future salary (benefit) increases, in accordance with IAS 19 'Employee Benefits.' Service costs charged to operating expense related to defined benefit plans represent the increase in the defined benefit liability arising from pension benefits earned by active participants in the current period. Takeda is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from regular contributions, expected investment income, and assets held.

Other types of defined benefit pension plans operated by Takeda are generally established and operated in the same manner as described above and in accordance with local laws and regulations where applicable.

Certain of the Company's European subsidiaries changed a portion of their existing defined benefit plans into defined contribution plans during the year ended March 31, 2016. As a result, settlement gains and losses were recognized in the consolidated statement of income for the year ended March 31, 2016.

The amounts recognized in the consolidated statements of income and the consolidated statements of financial position are as follows:

Consolidated statements of income

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Japan	¥ 5,436	¥ 6,779	¥ 4,582
Rest of the world	5,268	5,210	5,772
Defined benefit costs	<u>¥10,704</u>	<u>¥11,989</u>	<u>¥10,354</u>

Consolidated statements of financial position

	JPY (millions)		
	As of March 31		
	Japan	Rest of the World	2017
Present value of defined benefit obligations	¥217,026	¥90,424	¥307,450
Fair value of plan assets	246,952	18,079	265,031
Net defined benefit liabilities	10,846	72,427	83,273
Net defined benefit assets	<u>40,772</u>	<u>82</u>	<u>40,854</u>
Net amount of liabilities (assets) recognized in the consolidated statement of financial position	<u>¥(29,926)</u>	<u>¥72,345</u>	<u>¥ 42,419</u>

	JPY (millions) As of March 31		
	Japan	Rest of the World	2018
Present value of defined benefit obligations	¥198,686	¥99,174	¥297,860
Fair value of plan assets	230,421	21,207	251,628
Net defined benefit liabilities	9,604	78,007	87,611
Net defined benefit assets	41,339	40	41,379
Net amount of liabilities (assets) recognized in the consolidated statement of financial position	<u>¥(31,735)</u>	<u>¥77,967</u>	<u>¥ 46,232</u>

Net defined benefit assets were included in “Other non-current assets” in the consolidated statement of financial position, except for 1,210 million JPY included in “Assets held for sale” as of March 31, 2017. Net defined benefit liabilities included 2,372 million JPY in “Liabilities held for sale” as of March 31, 2017, related to disposal groups held for sale (refer to Note 19).

Defined benefit obligations

A summary of changes in present value of the defined benefit obligations for the periods presented is as follows:

	JPY (millions) For the Year Ended March 31		
	Japan	Rest of the World	2017
At beginning of the year	¥236,957	¥94,135	¥331,092
Current service cost	6,015	3,601	9,616
Interest cost	964	1,515	2,479
Re-measurement of defined benefit plans			
Re-measurement gains and losses arising from changes in demographic assumptions	(5,264)	(349)	(5,613)
Re-measurement gains and losses arising from changes in financial assumptions	(9,824)	(1,826)	(11,650)
Experience adjustments	259	601	860
Past service cost	823	294	1,117
Settlement	—	—	—
Benefits paid	(12,847)	(2,871)	(15,718)
Effect of business combinations and disposals	(57)	(185)	(242)
Foreign currency translation differences	—	(4,491)	(4,491)
At end of the year	<u>¥217,026</u>	<u>¥90,424</u>	<u>¥307,450</u>

	JPY (millions)		
	For the Year Ended March 31		
	Japan	Rest of the World	2018
At beginning of the year	¥217,026	¥90,424	¥307,450
Current service cost	4,866	4,295	9,161
Interest cost	1,424	1,713	3,137
Re-measurement of defined benefit plans			
Re-measurement gains and losses arising from changes in demographic assumptions	3,294	(1,179)	2,115
Re-measurement gains and losses arising from changes in financial assumptions	(3)	782	779
Experience adjustments	466	297	763
Past service cost	11	5	16
Settlement	(2,515)	2,346	(169)
Benefits paid	(13,134)	(3,093)	(16,227)
Effect of business combinations and disposals	(12,749)	81	(12,668)
Foreign currency translation differences	—	3,503	3,503
At end of the year	<u>¥198,686</u>	<u>¥99,174</u>	<u>¥297,860</u>

The remaining weighted average duration of the defined benefit obligations was 14.1 years and 14.4 years as of March 31, 2017 and 2018, respectively.

Significant actuarial assumptions used to determine the present value are as follows:

	Discount Rate	Future Salary Increases
2017		
Japan	0.7%	0.2%
Rest of the world	1.8%	2.5%
2018		
Japan	0.7%	0.2%
Rest of the world	1.7%	2.7%

A 0.5% change in these actuarial assumptions would affect the present value of defined benefit obligations by the amounts shown below:

	JPY (millions)			
	Discount Rate		Future Salary Increases	
	Change in assumption	Impact	Change in assumption	Impact
2017				
Japan	+ 0.50%	¥(12,910)	+ 0.50%	¥ 593
	- 0.50%	14,475	- 0.50%	(559)
Rest of the world	+ 0.50%	(6,761)	+ 0.50%	485
	- 0.50%	7,543	- 0.50%	(654)
2018				
Japan	+ 0.50%	(12,250)	+ 0.50%	517
	- 0.50%	13,778	- 0.50%	(477)
Rest of the world	+ 0.50%	(7,371)	+ 0.50%	479
	- 0.50%	8,247	- 0.50%	(665)

Plan assets

The defined benefit plans are independent of Takeda and funded only by contributions from Takeda. Takeda's investment policies are designed to secure the necessary returns in the long-term within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. The acceptable risk level in the return rate on the plan assets is derived from a detailed study considering the mid- to long-term trends and the changes in income such as contributions and payments. Based on policies and studies, after consideration of issues such as the expected rate of return and risks, Takeda formulates a basic asset mix which aims at an optimal portfolio on a long-term basis with the selection of appropriate investment assets.

A summary of changes in fair value of plan assets for the periods presented is as follows:

	JPY (millions)	
	2017	2018
Balance at beginning of the year	¥262,977	¥265,031
Interest income on plan assets	1,224	1,959
Re-measurement of defined benefit plans		
Return on plan assets	6,839	4,813
Contributions by the employer	5,851	4,753
Settlement	—	(3,564)
Benefits paid	(12,068)	(11,507)
Effect of business combinations and disposals	—	(11,225)
Foreign currency translation differences	208	1,368
Balance at end of the year	<u>¥265,031</u>	<u>¥251,628</u>

Takeda expects to contribute 4,694 million JPY to the defined benefit plans for the year ending March 31, 2019.

Breakdown of fair value by asset class:

	JPY (millions)			
	As of March 31			
	2017		2018	
	With Quoted Prices in Active Markets	No Quoted Prices in Active Markets	With Quoted Prices in Active Markets	No Quoted Prices in Active Markets
Equities:				
Japan	¥16,761	¥ 2,838	¥15,494	¥ 2,804
Outside Japan	16,136	44,992	6,396	58,286
Bonds:				
Japan	6,125	29,235	1,568	19,157
Outside Japan	8,057	26,086	2,278	38,716
Life insurance company general accounts	—	70,799	—	68,551
Cash and cash equivalent	7,409	—	8,452	—
Others	14,533	22,060	514	29,412
Total plan assets	<u>¥69,021</u>	<u>¥196,010</u>	<u>¥34,702</u>	<u>¥216,926</u>

Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on a contractual basis.

Defined Contribution Plans

The Company and some of the Company's subsidiaries offer defined contribution benefit plans. Benefits of defined contribution plans are linked to contributions paid, the performance of each participant's chosen investments, and the form in which participants choose to redeem their benefits. Contributions made into these plans are generally paid into an independently administered fund. Contributions payable by Takeda for these plans are charged to operating expenses. Takeda has no exposure to investment risks and other experience risks with regard to defined contribution plans.

The amount of defined contribution costs was 19,608 million JPY, 20,897 million JPY, and 19,525 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively. These amounts include contributions to publicly provided plans.

Other Employee Benefit Expenses

Major employee benefit expenses other than retirement benefits for each fiscal year are as follows:

	JPY (millions)		
	For the Year Ended March 31		
	2016	2017	2018
Salary	¥241,335	¥226,985	¥215,256
Bonuses	76,713	68,935	70,708
Other	72,148	75,949	81,616

The above table does not include severance expenses.

23. Provisions

The movements in the provisions are as follows:

	JPY (millions)				
	Litigation (Note 32)	Restructuring	Rebates and Return Reserves	Other	Total
As of April 1, 2016	¥ 37,949	¥ 10,215	¥ 78,652	¥ 22,946	¥ 149,762
Increases	1,410	28,465	267,566	13,413	310,854
Decreases (utilized)	(7,471)	(10,554)	(247,594)	(10,894)	(276,513)
Decreases (reversed)	(376)	(632)	(9,202)	(2,642)	(12,852)
Increases (decreases) due to changes in consolidation scope	2,567	—	1,645	215	4,427
Reclassification to liabilities held for sale ...	—	—	—	(107)	(107)
Foreign currency translation differences	(633)	(376)	(197)	(461)	(1,667)
As of March 31, 2017	¥ 33,446	¥ 27,118	¥ 90,870	¥ 22,470	¥ 173,904
Increases	3,692	5,935	310,070	14,009	333,706
Decreases (utilized)	(12,372)	(19,183)	(284,164)	(11,579)	(327,298)
Decreases (reversed)	(286)	(128)	(9,557)	(2,045)	(12,016)
Increases (decreases) due to changes consolidation scope	—	(133)	—	(107)	(240)
Reclassification to liabilities held for sale ...	(676)	—	—	(390)	(1,066)
Foreign currency translation differences	(622)	(993)	(5,378)	826	(6,167)
As of March 31, 2018	<u>¥ 23,182</u>	<u>¥ 12,616</u>	<u>¥ 101,841</u>	<u>¥ 23,184</u>	<u>¥ 160,823</u>

The current portion of the provision is 115,341 million JPY, 135,796 million JPY, and 132,781 million JPY as of April 1, 2016, March 31, 2017 and 2018, respectively. The non-current portion of the provision is 34,421 million JPY, 38,108 million JPY and 28,042 million JPY, as of April 1, 2016, March 31, 2017 and 2018, respectively.

Balances as of March 31, 2017, are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Restructuring

Takeda has commenced various restructuring efforts during the years ended March 31, 2016, 2017 and 2018, in connection with efforts to transform its R&D function and to improve the efficiency of its operations. These initiatives included consolidation of sites and functions and reduction in workforce. A restructuring provision is recorded when Takeda has a detailed formal plan for the restructuring, including communication of the overall plan to its employees. Takeda records the provision and associated expenses based on estimated costs associated with the plan. The ultimate cost and the timing of any payments under the plan will be impacted by the actual timing of the actions and the actions of employees impacted by the restructuring activities. The payments for non-current restructuring provision are expected to be made within approximately 4 years.

Restructuring expenses recorded during the years ended March 31 are as follows:

	<u>JPY (millions)</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cash:			
Severance	¥ 7,692	¥32,290	¥ 6,397
Consulting fees	7,571	7,271	7,205
Other	8,371	11,611	16,528
Total	<u>¥23,634</u>	<u>¥ 51,172</u>	<u>¥30,130</u>
Non-Cash:			
Depreciation and impairment	2,126	3,417	¥14,606
Total	<u>¥25,760</u>	<u>¥ 54,589</u>	<u>¥44,736</u>

The other restructuring costs mainly relate to contract termination costs.

Rebates and Returns

Takeda has recognized a provision related mainly to sales rebates and sales returns for products and merchandises, which include sales linked rebates such as government health programs in the US. These are expected to be paid out generally within one year. Sales rebates and sales returns are reviewed and updated monthly or when there is a significant change in its amount.

Other

Other provisions are primarily related to asset retirement obligations, contract termination fees and onerous contracts.

24. Other Liabilities

	JPY (millions)	
	As of March 31	
	2017	2018
Accrued expenses	¥219,749	¥231,497
Deferred income	62,918	52,527
Other	51,277	48,206
Total	<u>¥333,944</u>	<u>¥332,230</u>
Non-current	¥ 77,437	¥ 68,300
Current	¥256,507	¥263,930

Accrued expenses include accrued labor cost of 110,988 million JPY and 108,766 million JPY as of March 31, 2017 and 2018, respectively.

Deferred income includes government grants for the purchase of property, plant and equipment. The grants amounts received were 26,215 million JPY and 23,937 million JPY during the years ended March 31, 2017 and 2018, respectively. The primary government grants relate to funding a portion of Takeda's investment in the development and production of new influenza vaccines. Takeda was reimbursed for investments it made in facilities. The grant income is recognized over the life of the associated assets and is recorded as an offset to the depreciation expense (included in cost of sales, selling, general, and administrative expenses, and research and development expenses). Deferred income also includes unearned co-promotion fees received in advance of 26,453 million JPY and 21,656 million JPY as of March 31, 2017 and 2018, respectively. The unearned co-promotion fees will offset selling, general and administrative expenses during the periods as planned on a pro rata basis.

25. Trade and Other Payables

	JPY (millions)	
	As of March 31	
	2017	2018
Trade payables	¥125,713	¥133,705
Other payables	114,910	106,554
Total	<u>¥240,623</u>	<u>¥240,259</u>

Trade payables relate to expenditures associated with Takeda's manufacturing and other payables relate to other expenditures associated with its day-to-day operations.

26. Equity and Other Equity Items

	(Thousands of Shares)	
	2017	2018
Authorized shares as of April 1	3,500,000	3,500,000
Outstanding shares:		
At April 1	790,284	790,521
Exercise of stock options	237	617
Issuance of shares	—	3,550
At March 31	<u>790,521</u>	<u>794,688</u>

The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The number of treasury shares included in the above "Outstanding shares" was 4,032 thousand shares,

6,745 thousand shares, 9,680 thousand shares, and 13,379 thousand shares as of April 1, 2015, March 31, 2016, 2017 and 2018, respectively. The number of treasury shares as of March 31, 2018 includes 13,133 thousand shares held by the Employee Stock Ownership Plan (“ESOP”) Trust and the Board Incentive Plan (“BIP”) Trust. The ESOP and BIP Trust acquired 6,804 thousand shares and sold 3,116 thousand shares during the year ended March 31, 2018.

During the year ended March 31, 2018, the Company issued 3,550,000 shares through third-party allotment to the Master Trust Bank of Japan, Ltd., which is the trust account for Takeda’s ESOP subsidiary. The issuance of these shares resulted in an increase in share capital of 11,388 million JPY and share premium of 11,286 million JPY. The Master Trust Bank of Japan is a co-trustee of the ESOP. This issuance was approved by the resolution of our Board of Directors. These shares were reacquired by the Company from the ESOP trust for distribution of share based compensation awards. The reacquisition of the shares resulted in an increase in treasury shares of 22,773 million JPY.

<u>Dividends Declared</u>	<u>Total Dividends JPY (millions)</u>	<u>Dividends per Share (JPY)</u>	<u>Basis Date</u>	<u>Effective Date</u>
April 1, 2015 to March 31, 2016				
Q1 2015	¥71,081	¥90.00	March 31, 2015	June 29, 2015
Q3 2015	71,101	90.00	September 30, 2015	December 1, 2015
April 1, 2016, to March 31, 2017				
Q1 2016	71,112	90.00	March 31, 2016	June 30, 2016
Q3 2016	71,122	90.00	September 30, 2016	December 1, 2016
April 1, 2017, to March 31, 2018				
Q1 2017	71,133	90.00	March 31, 2017	June 29, 2017
Q3 2017	71,165	90.00	September 30, 2017	December 1, 2017

Dividends declared for which the effective date falls in the following fiscal year are as follows:

<u>Dividends Declared and Paid</u>	<u>Total Dividends JPY (millions)</u>	<u>Dividends per Share (JPY)</u>	<u>Basis Date</u>	<u>Effective Date</u>
April 1, 2018 to March 31, 2019				
Q1 2018	¥71,507	¥90.00	March 31, 2018	June 29, 2018

27. Financial Instruments

Capital Management

The capital structure of Takeda consists of shareholders’ equity (Note 26), debt (Note 20), and cash and cash equivalents (Note 18). The fundamental principles of Takeda’s capital risk management are to build and maintain a steady financial base for the purpose of maintaining soundness and efficiency of operations and achieving sustainable growth. According to these principles, Takeda conducts capital investment, profit distribution such as dividends, and repayment of loans based on steady operating cash flows through the development and sale of competitive products. Takeda balances its capital structure between debt and equity and adheres to a conservative financial discipline. Takeda monitors this balance through the use and has a target of a medium-term net debt to earnings before interest, taxes, depreciation, and amortization ratio of 2.0x or less.

Financial Risk Management

Takeda promotes risk management to reduce the financial risks arising from business operations. The principal risks to which Takeda is exposed include customer credit risk, liquidity risk and market risks caused by changes in the market environment such as fluctuations in the price of foreign currency, interest rates and market prices. Each of these risks are managed in accordance with Takeda's policies.

Financial assets

	JPY (millions) As of March 31	
	2017	2018
Cash and cash equivalents	¥ 319,455	¥ 294,522
Financial assets at fair value through profit or loss (derivatives)	2,960	762
Derivative transactions to which hedge accounting is applied	—	2,527
Loans and receivables	489,274	522,157
Available-for-sale financial assets	164,490	171,884

Financial liabilities

	JPY (millions) As of March 31	
	2017	2018
Financial liabilities at fair value through profit or loss(derivatives)	¥ 7,419	¥ 5,373
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	28,976	30,569
Derivative transactions to which hedge accounting is applied	2,474	3,498
Other financial liabilities, including bonds and loans	1,457,320	1,307,317

Credit Risk

Takeda is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. Trade and other receivables are exposed to customer credit risk. Takeda monitors the status of overdue balances, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with Takeda's policies for credit management to facilitate the early evaluation and the reduction of potential credit risks. If necessary, Takeda obtains rights to collateral or guarantees on the receivables.

Cash reserves of the subsidiaries are concentrated mostly with the Company and regional treasury centers located in the United States and Europe through the group cash pooling system. These cash reserves are primarily managed exclusively by investments in highly rated short-term bank deposits and bonds of highly rated issuers within the investment limits determined by reviewing the investment ratings and terms under Takeda's policies for fund management, resulting in limited credit risk. Cash reserves, other than those subject to the group cash pooling system, are managed by each consolidated subsidiary in accordance with the Company's fund management policies.

For derivatives, Takeda enters into trading contracts only with highly rated financial agencies in order to minimize counterparty risk.

The maximum exposure to credit risk, without taking into account of any collateral held at the end of the reporting period, is represented by the carrying amount of the financial instruments which is exposed to credit risk on the consolidated statement of financial position.

The following represents the age of trade receivables that are past due but not impaired:

	JPY (millions)					
	Amount Past Due					
	<u>Total</u>	<u>Within 30 Days</u>	<u>Over 30 Days but within 60 Days</u>	<u>Over 60 Days but within 90 Days</u>	<u>Over 90 Days but within One Year</u>	<u>Over One Year</u>
As of March 31, 2017	¥ 8,955	¥2,746	¥1,912	¥369	¥2,696	¥1,232
As of March 31, 2018	16,222	6,453	2,243	782	5,042	1,702

The amounts in the above table are net of allowances for doubtful receivables. Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk.

The following is a summary of the change in allowance for doubtful receivables for the periods presented:

	JPY (millions)		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
At beginning of the year	¥ 3,278	¥ 9,165	¥ 9,733
Increases	7,972	2,438	1,946
Decreases (utilized)	(1,192)	(1,185)	(1,941)
Decreases (reversed)	(733)	(712)	(1,130)
Reclassification to assets held for sale	—	(40)	(45)
Foreign currency translation differences	(160)	67	262
At end of the year	<u>¥ 9,165</u>	<u>¥ 9,733</u>	<u>¥ 8,825</u>

Liquidity Risk

The Company manages liquidity risk and establishes an adequate management framework for liquidity risk to secure stable short-, mid-, and long-term funds and sufficient liquidity for operations. Takeda manages liquidity risk by continuously monitoring forecasted cash flows, actual cash flows and the balance of available-for-sale financial assets. In addition, Takeda has commitment lines with some counterparty financial institutions to manage liquidity risk.

The table below presents the balances of financial liabilities by maturity. The contractual cash flows are presented on an undiscounted cash flow basis, including interest expense.

	Carrying Amount	Contract Amount	Within One Year	JPY (millions)				
				Between One and Two Years	Between Two and Three Years	Between Three and Four Years	Between Four and Five Years	More than Five Years
As of March 31, 2017								
Bonds and loans								
Bonds	¥179,836	¥182,459	¥ 61,068	¥ 746	¥60,520	¥60,125	¥ —	¥ —
Loans	965,054	973,043	486,862	1,005	60,937	70,849	878	352,512
Trade and other								
payables	240,623	240,623	240,623	—	—	—	—	—
Finance leases	58,811	110,116	4,995	5,839	5,272	3,678	2,858	87,474
Derivative liabilities	9,893	9,880	8,413	731	552	184	—	—
Derivative assets	(2,960)	(2,960)	(2,960)	—	—	—	—	—
As of March 31, 2018								
Bonds and loans								
Bonds	¥172,889	¥179,567	¥ 2,050	¥61,824	¥61,429	¥54,264	¥ —	¥ —
Loans	812,773	872,738	5,556	66,611	76,879	6,881	81,882	634,929
Trade and other								
payables	240,259	240,259	240,259	—	—	—	—	—
Finance leases	53,149	99,161	4,808	5,410	3,495	2,709	2,721	80,018
Derivative liabilities	8,871	6,364	5,639	40	(336)	1,021	—	—
Derivative assets	(3,289)	(33,590)	(3,049)	(3,383)	(3,729)	(3,698)	(3,699)	(16,032)

For bonds and loans denominated in a foreign currency, Takeda uses currency swaps and applies hedge accounting. The contract amount of foreign currency bonds applicable for hedge accounting was 0 million JPY and 21,287 million JPY (200 million USD) as of March 31, 2017 and 2018 respectively. The contract amount of foreign currency loans applicable for hedge accounting was 0 million JPY and 98,451 million JPY (925 million USD) as of March 31, 2017 and 2018 respectively.

Market Risk

Major market risks to which Takeda is exposed are 1) foreign currency risk, 2) interest rate risk and 3) commodity price fluctuation risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale financial assets and derivative financial instruments. Takeda uses derivatives, such as forward exchange contracts, for hedging.

Takeda enters into derivative hedging contracts according to Takeda's policies which determine the authority for entering into such transactions and the transaction limits.

Foreign Currency Risk

Takeda's exposure to the risk of changes in foreign exchange rates primarily relates to its operations (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries. The Company manages foreign currency risks in a centralized manner. Takeda's subsidiaries do not bear the risks of fluctuations in exchange rates. Foreign currency risks are hedged by derivative transactions, such as forward exchange contracts to achieve the expected net positions of trade receivables and payables in each foreign currency on a monthly basis.

Takeda uses forward exchange contracts, currency swaps, and currency options for individually significant foreign currency transactions. Foreign currency risk of the net investments in foreign operations is managed through the use of foreign-currency-denominated borrowing.

	JPY (millions)		
	For the Year Ended March 31, 2017		
	Contract Amount	More than one year	Fair Value
Forward exchange contracts:			
Selling:			
Euro	¥130,322	¥—	¥ 1,690
United States Dollar	54,389	—	(1,481)
Chinese Yuan	20,231	—	(2,013)
Taiwan New Dollar	930	—	(60)
Thai Bhat	945	—	(53)
Buying:			
Euro	119,874	—	(2,814)
United States Dollar	8,833	—	656
British Pound	2,839	—	(134)
Singapore Dollar	1,074	—	28
Currency options:			
Buying (put option):			
Russian Ruble	1,496	—	(276)

Other than the above, starting from April 1, 2016, Takeda designated loans denominated in the US dollar as hedges of net investments in foreign operations and applied hedge accounting in order to manage the foreign currency exposure. The fair value of the foreign-currency-denominated loans was 97,928 million JPY as of March 31, 2017.

	JPY (millions)		
	For the Year Ended March 31, 2018		
	Contract Amount	More than one year	Fair Value
Forward exchange contracts:			
Selling:			
Euro	¥ 98,198	¥ —	¥ (894)
United States Dollar	39,799	—	100
Chinese Yuan	20,528	—	(1,211)
Taiwan New Dollar	944	—	14
Thai Bhat	910	—	(15)
Buying:			
Euro	173,627	—	(964)
United States Dollar	9,585	—	(19)
Thai Bhat	2,388	—	71
British Pound	1,601	—	41
Singapore Dollar	938	—	(16)
Chinese Yuan	178	—	(1)
Currency swaps:			
Buying:			
United States Dollar	124,028	123,993	(1,773)

The above currency swaps were related to bonds and loans denominated in foreign currency, which the Company designated as cash flow hedges.

Other than the above, Takeda designated loans and bonds denominated in the US dollar as hedges of net investments in foreign operations and applied hedge accounting in order to manage the foreign currency exposure. The fair value of the foreign-currency-denominated loans and foreign-currency-denominated bonds were 61,200 million JPY and 31,930 million JPY, respectively, as of March 31, 2018.

Takeda is exposed mainly to foreign currency risks of the US dollar and Euro. A depreciation of the JPY by 5% against the US dollar and Euro would impact profit or loss by 9,346 million JPY, 5,156 million JPY, and 12,533 million JPY as of March 31, 2016, 2017 and 2018, respectively. These amounts do not include the effects of foreign currency translation on financial instruments in the functional currency or on assets, liabilities, revenue, and expenses of foreign operations. This analysis assumes that all other variables, in particular interest rates, remain constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Interest Rate Risk

Takeda's exposure to the risk of changes in market interest rates relates to the outstanding borrowings with floating interest rates. Takeda uses interest rate swaps that fix the amount of interest payments to manage interest rate risks. The following summarizes interest rate swaps for the periods ended March 31:

	JPY (millions) As of March 31		
	Notional Amount	More than One Year	Fair Value
2017	¥170,000	¥120,000	¥(2,474)
2018	300,938	300, 938	(970)

The above swaps are related to the borrowings which the Company designated as cash flow hedges.

The following represents interest rate sensitivity analysis for the periods presented. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	JPY (millions)			
	As of March 31, 2017		As of March 31, 2018	
	Interest Rates +1%	Interest Rates -1%	Interest Rates +1%	Interest Rates -1%
Impact on other comprehensive income (before tax effects) . . .	¥2,653	¥(2,653)	¥16,543	¥(16,543)

There is no impact on profit because the amount of interest payments from all the outstanding borrowings with floating rates are fixed using interest rate swaps.

Price Fluctuation Risk Management

For equity instruments, the Company manages the risk of price fluctuations in the instruments by regularly reviewing share prices and financial positions of the issuers.

Market Price Sensitivity Analysis

The analysis shows that if the market price for the underlying equity instruments, the equity securities held by Takeda and investments in trusts which hold equity securities on behalf of Takeda had increased by 10%, the hypothetical impact on other comprehensive income (before tax effect) would have been 15,537 million JPY and 16,303 million JPY as of March 31, 2017 and 2018 respectively. This analysis assumes that all other variables, in particular interest rates and foreign currency exchange rates, remain constant.

Reconciliation of liabilities arising from financing activities

	JPY (millions)						Total
	Bonds	Long-term Loans	Short-term Loans	Finance Lease Obligations	Derivative Assets Used for Hedge of Debts	Derivative Liabilities Used for Hedge of Debts	
As of April 1, 2017	¥179,836	¥560,000	¥ 405,054	¥58,811	¥ —	¥ —	¥1,203,701
Cash flows from financing activities							
Net increase (decrease) in short-term loans	—	—	(403,931)	—	—	—	(403,931)
Proceeds from long-term loans	—	337,955	—	—	—	(801)	337,154
Payments of long-term loans	—	(80,000)	—	—	—	—	(80,000)
Proceeds from issuance of bonds	55,951	—	—	—	348	—	56,299
Repayments of bonds	(60,000)	—	—	—	—	—	(60,000)
Repayment of obligations under finance lease	—	—	—	(2,658)	—	—	(2,658)
Interest paid	—	—	—	(2,855)	—	—	(2,855)
Non-cash items							
Foreign exchange movement	(3,019)	(5,244)	(1,105)	(2,610)	—	—	(11,978)
Change in fair value	—	—	—	—	(528)	2,754	2,226
Others	121	44	—	2,461	—	—	2,626
As of March 31, 2018	¥172,889	¥812,755	¥ 18	¥53,149	¥(180)	¥1,953	¥1,040,584

“Others” includes increase in debts due to application of amortized cost method.

Fair Value Measurements

Financial Assets and Liabilities at Fair Value through Profit or Loss

The fair value of derivatives to which hedge accounting was not applied is measured at quoted prices or quotes obtained from financial institutions, whose significant inputs to the valuation model used are based on observable market data.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. The fair value measurement of contingent considerations arising from business combinations is stated in Note 31, “Business Combinations.”

Loans and Receivables

As trade receivables are settled in a short period, their carrying amounts approximate their fair values.

Available-for-Sale Financial Assets

The fair value of available-for-sale financial assets is measured at quoted prices or quotes obtained from financial institutions.

Derivative Transactions to which Hedge Accounting is applied

The fair value of derivatives to which hedge accounting is applied is measured at quotes obtained from financial institutions, whose significant inputs to the valuation model used are based on observable market data.

Other Financial Liabilities

The fair value of bonds is measured at quotes obtained from financial institutions, and the fair value of loans and finance leases is measured at the present value of future cash flows discounted using the applicable effective interest rate on the loans with consideration of the credit risk by each group classified in a specified period.

Other current items are settled within a short period, and the coupon rates of other non-current items reflect market interest rates. Therefore, the carrying amounts of these liabilities approximate their fair values.

Fair Value Hierarchy

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value that is calculated using an observable price other than that categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include input that is not based on observable market data

Fair Value of Financial Instruments Carried at Cost

The carrying amount and fair value of financial instruments that are not recorded at fair value in the consolidated statements of financial position are as follows:

	JPY (millions) As of March 31			
	2017		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	¥179,836	¥182,068	¥172,889	¥172,872
Long-term loans	560,000	559,748	812,755	815,865
Finance leases	58,811	58,811	53,149	53,690

The amounts to be paid within a year are included. The fair value of bonds, long-term loans, and finance leases are classified as Level 2 in the fair value hierarchy. This table excludes financial instruments that have carrying amounts that approximate fair value as described in the discussion above.

Fair value Measurement Recognized in the Consolidated Statement of Financial Position

	JPY (millions)			
	Level 1	Level 2	Level 3	Total
As of March 31, 2017				
Assets:				
Financial assets at fair value through profit or loss (derivatives) . . .	¥ —	¥2,960	¥ —	¥ 2,960
Available-for-sale financial assets	155,368	63	—	155,431
Total	¥155,368	¥3,023	¥ —	¥158,391
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	¥ —	¥7,419	¥ —	¥ 7,419
Derivative transactions to which hedge accounting is applied	—	2,474	—	2,474
Contingent considerations arising from business combinations	—	—	28,976	28,976
Total	¥ —	¥9,893	¥28,976	¥ 38,869

	JPY (millions)			
	Level 1	Level 2	Level 3	Total
As of March 31, 2018				
Assets:				
Financial assets at fair value through profit or loss (derivatives) . . .	¥ —	¥ 762	¥ —	¥ 762
Derivatives transactions to which hedge accounting is applied	—	2,527	—	2,527
Available-for-sale financial assets	163,030	34	—	163,064
Total	¥163,030	¥3,323	¥ —	¥166,353
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	¥ —	¥5,373	¥ —	¥ 5,373
Derivative transactions to which hedge accounting is applied	—	3,498	—	3,498
Contingent considerations arising from business combinations	—	—	30,569	30,569
Total	¥ —	¥8,871	¥30,569	¥ 39,440

Available-for-sale financial assets and derivatives, for which the fair value was difficult to reliably measure, are excluded from the table. The carrying amounts of such assets were 9,059 million JPY and 8,820 million JPY as of March 31, 2017 and 2018, respectively. The assets are primarily unlisted equity investments and the fair value of the investments was difficult to reliably measure as they are not traded on stock markets.

Takeda recognizes transfers between levels of the fair value hierarchy, at the end of the reporting period during which the change has occurred. There were no transfers among Level 1, Level 2, and Level 3 during each reporting period. Disclosures related to contingent considerations arising from business combinations are included in Note 31.

28. Share-based Payments

Takeda maintains certain share based compensation payment plans for the benefit of its directors and certain of its employees. Takeda recorded total compensation expense related to its share-based payment plans of 14,714 million JPY, 17,414 million JPY, and 22,172 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively, in its consolidated statements of income.

Equity-settled Plans

Stock Options

Takeda had maintained a stock option plan under which it granted awards to members of the board, corporate officer, and senior management through the year ended March 31, 2014. There were no stock options granted during the years presented in these financial statements and all previously granted awards are fully vested. These awards generally vested three years after the grant date. The stock options are exercisable for 10 years after the grant date for options held by directors and 20 years for options held by corporate officers and senior management. The individual must be either a director of the Company or an employee of Takeda to exercise the options, unless the individual retired due to the expiration of their term of office, mandatory retirement or other acceptable reasons.

The total compensation expense recognized related to the stock option was 333 million JPY and, 63 million JPY during the years ended March 31, 2016 and 2017, respectively. There was no compensation expense during the year ended March 31, 2018 as all awards were fully vested.

The following table summarizes the stock option activities for the years ended March 31:

	2016		2017		2018	
	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)
As of beginning of the year	4,618,500	¥3,875	4,258,000	¥3,920	4,020,900	¥4,026
Exercised	(360,500)	3,342	(237,100)	2,121	(617,100)	3,876
As of end of the year	4,258,000	3,920	4,020,900	4,026	3,403,800	4,054
Exercisable balance as of end of the year	3,079,000	¥3,588	4,020,900	¥4,026	3,403,800	¥4,054

The weighted-average share price at the date of exercise was 5,909 JPY, 4,939 JPY and 5,965 JPY during the year ended March 31, 2016, 2017 and 2018, respectively. The weighted-average exercise price and weighted-average remaining contractual life of the share options outstanding were 3,920 JPY and 16 years, 4,026 JPY and 15 years, and 4,054 JPY and 14 years, as of March 31, 2016, 2017 and 2018, respectively.

Stock Incentive Plans

Takeda has two stock-based incentive compensation plans for its directors and members of senior management, including the following:

Board incentive plan (BIP) – The BIP is a stock-based incentive plan for directors of the Company whereby awards are granted to the directors. Each award is settled in a single share of stock of the Company. The vesting of the awards under the BIP is one third each year over a three-year period for half of the awards and three years from the date of grant for the remainder of the awards. The settlement of the awards is based on stock price, foreign exchange rates (in countries other than Japan), and company dividends. Performance shares are also based on the achievement of certain performance criteria, which are established at the grant date, including, among others, consolidated revenue, operating free cash flow, earnings per share and targeted R&D, which are transparent and objective indicators. Takeda, through a wholly owned trust, buys shares of the Company in the market on the grant date, and uses these shares to settle the awards. The number of shares the individual receives (either through physical settlement or cash) is based on the achievement of the performance criteria and vesting of the award. The trust settles the awards through the issuance of shares to individuals in Japan. For individuals outside of Japan the trust sells the share the individual is eligible to receive and pays the cash to the individual.

Employee Stock Ownership Plan (ESOP) – The ESOP is a stock based incentive plan for senior management whereby awards are granted to the employees. Each award is settled in a single share of stock of the

Company. The vesting of the awards under this plan is the same as the BIP for certain members of senior management with the remainder of the employees' awards vesting one third each year over a three-year period. The settlement of the awards is based on stock price, foreign exchange rates (in countries other than Japan), and company dividends. Performance shares, are also based on the achievement of certain performance criteria, which are established at the grant date including, among others, consolidated revenue, operating free cash flow, earnings per share and targeted R&D, which are transparent and objective indicators. Takeda, through wholly owned trust, buys shares of the Company in the market on the grant date and uses these shares to settle the awards. The number of shares the individual receives (either through physical settlement or cash) is based on the achievement of the performance criteria and vesting of the award. The trust settles the awards through the issuance of shares to individuals in Japan. For individuals outside of Japan the trust sells the share the individual is eligible to receive and pays cash to the individual.

The total compensation expense recognized related to these plans was 12,845 million JPY, 15,322 million JPY and 18,610 million JPY during the years ended March 31, 2016, 2017 and 2018, respectively.

The fair value of the awards at the grant date is as follows (in JPY):

	For the Year Ended March 31		
	2016	2017	2018
BIP:			
Fair value at grant date	¥5,870	¥4,664	¥5,709
Weighted average fair value	5,870	4,664	5,709
ESOP:			
Fair value at grant date	5,870	4,438	5,709
Weighted average fair value	5,870	4,438	5,709

The grant date fair value was calculated using the Company's share price on the grant date as it was determined to be approximately the same as the fair value of the awards.

The following table summarizes the award activity related to the stock incentive plans for the years ended March 31 (number of awards):

	2016		2017		2018	
	ESOP	BIP	ESOP	BIP	ESOP	BIP
At beginning of the year	3,003,020	235,019	4,809,442	281,154	6,471,104	414,933
Granted	3,312,561	144,688	4,328,364	192,818	3,944,938	188,695
Forfeited/expired before vesting	(484,417)	(49,489)	(849,886)	—	(602,245)	—
Settled	(1,021,722)	(49,064)	(1,816,816)	(59,039)	(2,922,035)	(170,368)
At end of the year	<u>4,809,442</u>	<u>281,154</u>	<u>6,471,104</u>	<u>414,933</u>	<u>6,891,762</u>	<u>433,260</u>
Exercisable balance at end of the year . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The weighted average remaining contractual life of the outstanding awards was one year as of each year end for both the BIP and the ESOP plans.

Liability Settled Awards

Takeda has phantom stock appreciation rights (PSARs) and restricted stock units (RSUs) plans for certain of its employees. The value of these awards is linked to share price of the Company and are settled in cash. The total compensation expense recorded associated with these plans was 1,536 million JPY, 2,029 million JPY, and 3,562 million JPY during the years ended March 31, 2016, 2017 and 2018, respectively and the total liability reflected in the consolidated statements of financial position at March 31, 2017 and 2018, is 7,350 million JPY and 4,872 million JPY, respectively.

Phantom stock appreciation rights (PSARs)

The PSARs vest one third each year over a three-year period from the end of the fiscal year during which the awards were granted and can be exercised for a period of 10 years from the end of the fiscal year during which the awards were granted. The awards are settled through a cash payment to the holder based on the difference between the share price of the Company at the date of exercise, and the share price at the date of grant.

The following table summarizes the award activity related to the PSARs for the years ended March 31:

	2016		2017		2018	
	Number of PSARs	Weighted Average Exercise Price (JPY)	Number of PSARs	Weighted Average Exercise Price (JPY)	Number of PSARs	Weighted Average Exercise Price (JPY)
As of beginning of the year	12,344,335	¥5,373	10,257,155	¥5,063	9,282,080	¥5,017
Granted	—	—	—	—	—	—
Forfeited before vesting	(103,329)	5,402	—	—	—	—
Exercised	(1,974,786)	5,385	(618,494)	4,706	(4,335,961)	5,072
Forfeited/expired after vesting	(9,065)	5,964	(356,581)	5,012	(361,182)	5,505
As of end of the year	<u>10,257,155</u>	<u>5,063</u>	<u>9,282,080</u>	<u>5,017</u>	<u>4,584,937</u>	<u>4,650</u>
Exercisable balance as of end of the year	<u>10,218,385</u>	<u>¥5,064</u>	<u>9,282,080</u>	<u>¥5,017</u>	<u>4,584,937</u>	<u>¥4,650</u>

Restricted stock units (RSUs)

The RSUs vest one third each year over a three-year period from the end of the fiscal year during which the awards were granted. The RSUs are settled upon vesting based on the share price at the vesting date plus any dividends paid on shares during the vesting period. There is no exercise price payable by the holder.

The following table summarizes the award activity related to the RSUs for the years ended March 31 (number of RSUs):

	2016	2017	2018
As of the beginning of the year	2,484,391	1,220,234	448,286
Granted	378,123	255,116	254,710
Forfeited/expired before vesting	(145,667)	(148,502)	(82,388)
Settled	<u>(1,496,613)</u>	<u>(878,562)</u>	<u>(222,129)</u>
As of the end of the year	<u>1,220,234</u>	<u>448,286</u>	<u>398,479</u>
Exercisable balance as of the end of the year	<u>658,212</u>	<u>—</u>	<u>—</u>

The total intrinsic value of vested cash-settled share-based payments was 1,965 million JPY and 2,442 million JPY as of March 31, 2017 and 2018, respectively.

The Company applied hedge accounting to a portion of the RSUs payments during the year ended March 31, 2016.

29. Subsidiaries and Associates

The number of consolidated subsidiaries increased by three due to establishment of legal entities and decreased by 20 primarily due to divestitures including Wako Pure Chemical, Ltd. The number of associates accounted for using the equity method increased by three primarily due to establishment of new entities and decreased by seven primarily due to divestitures.

The following is a listing of the Company's consolidated subsidiaries as of March 31, 2018:

<u>Company Name</u>	<u>Country</u>	<u>Voting Share Capital Held (%)</u>
Takeda Pharmaceuticals International, Inc.	U.S.A.	100.0
Takeda Pharmaceuticals U.S.A., Inc.	U.S.A.	100.0
Millennium Pharmaceuticals, Inc.	U.S.A.	100.0
ARIAD Pharmaceuticals, Inc.	U.S.A.	100.0
Takeda California, Inc.	U.S.A.	100.0
Takeda Vaccines, Inc.	U.S.A.	100.0
Takeda Development Center Americas, Inc.	U.S.A.	100.0
Takeda Ventures, Inc.	U.S.A.	100.0
Takeda Europe Holdings B.V.	Netherlands	100.0
Takeda A/S	Denmark	100.0
Takeda Pharmaceuticals International AG	Switzerland	100.0
Takeda GmbH	Germany	100.0
Takeda Pharma Vertrieb GmbH & Co. KG	Germany	100.0
Takeda Italia S.p.A.	Italy	100.0
Takeda Austria GmbH	Austria	100.0
Takeda Pharma Ges.m.b.H	Austria	100.0
Takeda France S.A.S.	France	100.0
Takeda Pharma A/S	Denmark	100.0
Takeda AS	Norway	100.0
Takeda Belgium SCA/CVA	Belgium	100.0
Takeda UK Limited	United Kingdom	100.0
Takeda Oy	Finland	100.0
Takeda Pharma AG	Switzerland	100.0
Takeda Farmaceutica Espana S.A.	Spain	100.0
Takeda Nederland B.V.	Netherlands	100.0
Takeda Pharma AB	Sweden	100.0
Takeda Pharma Sp. z o.o.	Poland	100.0
Takeda Hellas S.A.	Greece	100.0
Takeda Ireland Limited	Ireland	100.0
Takeda Development Centre Europe Ltd.	United Kingdom	100.0
Takeda Canada Inc.	Canada	100.0
Takeda Pharmaceuticals Limited Liability Company	Russia	100.0
Takeda Yaroslavl Limited Liability Company	Russia	100.0
Takeda Ukraine LLC	Ukraine	100.0
Takeda Kazakhstan LLP	Kazakhstan	100.0
Takeda Distribuidora Ltda.	Brazil	100.0
Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.	Brazil	100.0
Takeda Pharma Ltda.	Brazil	100.0
Takeda Mexico, S.A. de C.V.	Mexico	100.0
Takeda Pharma, S.A.	Argentina	100.0
Takeda (China) Holdings Co., Ltd.	China	100.0
Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.	Singapore	100.0
Guangdong Techpool Bio-Pharma Co., Ltd.	China	51.3
Takeda Pharmaceutical (China) Company Limited	China	100.0
Tianjin Takeda Pharmaceuticals Co., Ltd.	China	100.0
Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0
Takeda (Thailand), Ltd.	Thailand	52.0

<u>Company Name</u>	<u>Country</u>	<u>Voting Share Capital Held (%)</u>
Takeda Pharmaceuticals Taiwan, Ltd.	Taiwan	100.0
P.T. Takeda Indonesia	Indonesia	70.0
Takeda Healthcare Philippines Inc.	Philippines	100.0
Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0
Takeda Vaccines Pte. Ltd.	Singapore	100.0
Takeda (Pty.) Ltd.	South Africa	100.0
Takeda Pharmaceuticals Australia Pty. Ltd.	Australia	100.0
Takeda İlaç Sağlık Sanayi Ticaret Limited Şirketi	Turkey	100.0
Takeda Consumer Healthcare Company Limited	Japan	100.0
Nihon Pharmaceutical Co., Ltd.	Japan	87.3
Takeda Healthcare Products Co., Ltd.	Japan	100.0
Axcelead Drug Discovery Partners, Inc.	Japan	100.0
71 immaterial subsidiaries		

The following is a listing of the Company's associates accounted for using the equity method as of March 31, 2018:

<u>Company Name</u>	<u>Country</u>	<u>Voting Share Capital Held (%)</u>
Cerevance, LLC	U.S.A.	27.8
Teva Takeda Pharma Ltd.	Japan	49.0
Amato Pharmaceutical Products, Ltd.	Japan	30.0
12 immaterial associates		

30. Related Party Transactions

Transactions with Affiliates

Takeda has one major affiliate, Teva Takeda Pharma, to which Takeda sells products and acts as a sales agent. Total transactions with Teva Takeda Pharma for the years ended March 31, 2017 and 2018 were 15,685 million JPY and 18,166 million JPY, respectively. Balances of receivables and payables are as follows:

	<u>JPY (millions)</u>	
	<u>As of March 31</u>	
	<u>2017</u>	<u>2018</u>
Trade receivables	¥ 5,703	¥ 4,187
Other receivables	1,427	1,507
Other payables	28,745	30,066

The terms and conditions of the related party transactions are entered into on terms consistent with third-party transactions and considering market prices. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.

There is no outstanding balance of collateral or guarantee. Provisions for doubtful accounts are not recognized for the receivables.

Compensation for Key Management Personnel

The compensation for key management personnel is as follows:

	JPY (millions)		
	For the years ended March 31		
	2016	2017	2018
Basic compensation and bonuses	¥1,456	¥1,478	¥1,332
Share-based payments	896	948	1,176
Retirement benefits	31	38	26
Total	<u>¥2,383</u>	<u>¥2,464</u>	<u>¥2,534</u>

31. Business Combinations

Acquisitions during the Year Ended March 31, 2017

ARIAD Pharmaceuticals, Inc.

On February 16, 2017, Takeda acquired ARIAD Pharmaceuticals, Inc. (hereinafter referred to as “ARIAD”) through a tender offer to purchase all issued and outstanding shares of common stock in cash.

ARIAD is focused on discovering, developing and commercializing precision therapies for patients with rare cancers. The acquisition of ARIAD is a highly strategic deal as it transforms Takeda’s global oncology portfolio and pipeline by expanding into solid tumors and reinforcing the existing strength in hematology. Brigatinib (US product name: ALUNBRIG) is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. After the acquisition, Brigatinib was granted marketing authorization by the U.S. Food and Drug Administration (FDA) in April 2017. ICLUSIG, a treatment for CML (chronic myeloid leukemia) and Philadelphia chromosome positive ALL (acute lymphoblastic leukemia), is commercialized globally (marketing rights of the product are out-licensed in some certain markets other than the US). These two targeted and innovative medicines, with cost synergies, are expected to be value drivers for Takeda’s oncology business. Additionally, ARIAD has a robust early stage pipeline, and Takeda will leverage ARIAD’s R&D capabilities and platform to generate immediate and long-term growth in the pharmaceuticals business.

The following represents fair value of assets acquired, liabilities assumed, purchase consideration transferred:

	JPY (millions)
	Amount
Intangible assets	¥433,047
Other assets	43,490
Deferred tax liabilities	(92,419)
Other liabilities	(38,852)
Goodwill	<u>273,627</u>
Net Assets Acquired	<u>¥618,893</u>

The consideration transferred was comprised of the following:

	<u>JPY (millions)</u>
	<u>Amount</u>
Cash	¥531,918
Debt assumed	59,155
Assumption of Share-based payment liabilities	27,820
Total	¥618,893
Reduced by:	
Cash acquired	(29,869)
Deferred consideration	(1,509)
Proceeds from cash flow hedge	(4,411)
Net consideration paid	<u>¥583,104</u>

Goodwill comprises excess earning power expected from the future business development. Goodwill is not expected to be deductible for tax purposes.

The fair value of the assets acquired and the liabilities assumed, as of March 31, 2017, was booked provisionally, and allocation of the purchase price was completed during the year ended March 31, 2018. The purchase price allocation above reflects the fair value, and has been updated from the provisional amounts. As a result of the adjustments to the provisional fair value, goodwill at the acquisition date decreased by 3,198 million JPY while other liabilities increased by 2,827 million JPY and intangible assets, other assets and deferred tax liabilities decreased by 2,853 million JPY, 3,114 million JPY and 11,992 million JPY, respectively.

Acquisition-related costs of 3,194 million JPY, which includes agent fee and legal fee arising from the acquisition, were expensed as incurred and recorded in selling, general and administrative expenses.

Net revenue and net loss of ARIAD during the post-acquisition period, which were recognized in the consolidated statement of income for the year ended March 31, 2017, were immaterial. The impact on Takeda's revenue and net profit of the ARIAD for the period ended March 31, 2017 assuming the acquisition date had been as of the beginning of the annual reporting period was immaterial.

In addition to the acquisition of ARIAD, Takeda acquired another business during the year for 6,040 million JPY. The aggregate net cash paid for acquisitions during the year ended March 31, 2017 was 589,144 million JPY.

Acquisitions during the Years ended March 31, 2016 and 2018

During the year ended March 31, 2016, Takeda acquired a business for 14,042 million JPY, which represents net cash consideration of 8,269 million JPY, 1,493 million JPY of contingent consideration, and 4,280 million JPY of cash and cash equivalents included in assets acquired.

During the year ended March 31, 2018, Takeda acquired a business for 28,328 million JPY, which was fully paid in cash.

Contingent Consideration

The consideration for certain acquisitions includes amounts contingent upon future events such as the achievement of development milestones and sales targets. At each reporting date, the fair value of contingent consideration is re-measured based on risk-adjusted future cash flows discounted using appropriate discount rate. The contingent consideration discussed below is the discounted royalty payable for a certain period based on

future financial performance, primarily consisting of the COLCRYS business which was acquired in the acquisition of URL Pharma. Inc. in June 2012. There is no cap on the royalty payable for the COLCRYS business and the estimated future royalty payments are calculated based on forecasted financial performance.

The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 27, “Financial Instruments”.

	JPY (millions)	
	For the Year Ended March 31	
	2017	2018
As of the beginning of the year	¥64,182	¥ 28,976
Additions arising from business combinations	—	3,164
Changes in the fair value during the period:		
URL Pharma. Inc.	(8,417)	11,149
Other	(6,331)	1,635
Settled during the period:		
URL Pharma. Inc.	(7,610)	(11,475)
Other	(8,015)	(1,131)
Reclassification to other payables	(2,370)	—
Foreign currency translation differences	(2,088)	(1,243)
Other	(375)	(506)
As of the end of the year	<u>¥28,976</u>	<u>¥ 30,569</u>

	JPY (millions)	
	As of March 31	
	2017	2018
Payment term (undiscounted)		
Within one year	¥ 9,635	¥10,620
Between one and three years	17,571	18,584
Between three and five years	3,263	4,641
More than five years	4,838	2,831

The following sensitivity analysis represents effect on the fair value of contingent consideration from changes in major assumptions:

		JPY (millions)	
		For the Year Ended March 31	
		2017	2018
Revenue derived from the COLCRYS business	Increase by 5%	¥ 871	¥ 862
	Decrease by 5%	(872)	(862)
Discount rate	Increase by 0.5%	(229)	(257)
	Decrease by 0.5%	263	256

32. Commitments and Contingent Liabilities

Operating Lease

Takeda is the lessee under several operating leases, primarily for office and other facilities, and certain office equipment.

Future minimum lease payments by maturity under non-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2017 and 2018 are as follows:

	JPY (millions)	
	For the Year Ended March 31	
	2017	2018
Within one year	¥11,880	¥12,053
Between one and five years	31,686	31,278
More than five years	<u>37,471</u>	<u>33,720</u>
Total	<u>¥81,037</u>	<u>¥77,051</u>

Total future minimum sublease income under non-cancellable subleases as of March 31, 2017 and 2018 were 12,036 million JPY and 34,482 million JPY, respectively.

Rent expense for operating lease contracts and sublease income recognized in profit or loss for the years ended March 31 are as follows:

	JPY (millions)		
	2016	2017	2018
Rent expense	¥11,648	¥11,758	¥21,384
Sublease income	—	(109)	(2,493)
Total	<u>¥11,648</u>	<u>¥11,649</u>	<u>¥18,891</u>

Purchase Commitments

The amount of contractual commitments for the acquisition of property, plant and equipment was 24,786 million JPY and 14,078 million JPY as of March 31, 2017 and 2018, respectively.

Milestone Payments

As discussed in Note 13, Takeda has certain contractual agreements related to the acquisition of intangible assets that require it to make payments of up to 364,907 million JPY and 517,017 million JPY as of March 31, 2017 and 2018, respectively. These commitments include development milestone payments in relation to pipelines under development and expected maximum commercial milestone payments in relation to launched products. As for the pipelines under development, the possibility to meet certain conditions for commercial milestone payments is uncertain and the related commercial milestone payments were not included in the commitments.

Guarantees

The amount of contingent liabilities was 349 million JPY and 186 million JPY as of March 31, 2017 and 2018, respectively. These are all related to transactions with financial institutions and are not recognized as financial liabilities in the consolidated statement of financial position because the possibility of loss from contingent liabilities was remote.

Litigation

Takeda is involved in various legal and administrative proceedings. The most significant matters are described below.

Takeda may become involved in significant legal proceedings for which it is not possible to make a reliable estimate of the expected financial effect, if any, which may result from ultimate resolution of the

proceedings. In these cases, appropriate disclosures about such cases would be included in this note, but no provision would be made for the cases.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage. The Company does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

Legal expenses incurred and charges related to legal claims are recorded in selling, general and administrative expenses line. Provisions are recorded, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, Takeda will record a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. At March 31, 2018, Takeda's aggregate provision for legal and other disputes was 23,182 million JPY. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

Takeda's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in these consolidated financial statements.

Product Liability and Related Claims

Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies. Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated safety issues may become, or be claimed by some to be, evident. Takeda is currently a defendant in a number of product liability lawsuits related to its products. For the product liability lawsuits and related claims, other than those for which provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage.

Actos

Takeda has been named as a defendant in lawsuits in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer or other injuries as a result of taking products containing type 2 diabetes treatment pioglitazone (U.S. brand name: Actos). Eli Lilly and Company ("Lilly"), which co-promoted Actos in the United States for a period of time, also has been named as a defendant in many of these lawsuits. Under the parties' co-promotion agreement, Takeda has agreed to defend and indemnify Lilly in the U.S. matters. Outside the U.S., lawsuits and claims have also been brought by persons claiming similar injuries.

In April 2015, Takeda reached an agreement with the lead plaintiffs' lawyers that resolved the vast majority of Actos product liability lawsuits pending against Takeda and Lilly in the U.S. The settlement covered all bladder cancer claims pending in any U.S. court as of the date of settlement. Also claimants with unfiled claims in the U.S. represented by counsel as of the date of settlement and within three days thereafter were eligible to participate. The settlement became effective when 95% of litigants and claimants opted-in. In connection with this broad settlement, Takeda has paid \$2.4 billion (approximately 288 billion JPY) into a qualified settlement fund. Takeda received insurance proceeds totaling approximately 58 billion JPY under various policies covering product liability claims against Takeda. Takeda also established reserves for remaining Actos claims and lawsuits.

In addition to remaining product liability claims, the following lawsuits have been filed against Takeda by public and private third-party payors, as well as consumers, seeking damages for alleged economic losses:

A purported nation-wide class action lawsuit has been filed federal court in California – the *Painters' Fund* case – on behalf of third-party payors and consumers seeking, among other things, reimbursement of monies spent on Actos. In April 2018, the court dismissed the *Painters' Fund* case. Plaintiffs appealed.

The States of Mississippi and Louisiana have filed lawsuits against Takeda and Lilly alleging that defendants did not warn about bladder cancer and other risks of Actos. The lawsuits seek reimbursement of the cost of Actos, paid by the states on behalf of patients through programs such as Medicaid, and for medical treatment of patients allegedly injured by Actos, attorneys' fees and expenses, punitive damages and/or penalties. The court granted Takeda's motion to dismiss the Louisiana case. The decision has been appealed.

Prevacid

As of March 31, 2018, more than 1,100 product liability lawsuits involving Prevacid and/or Dexilant have been filed against Takeda in U.S. federal and state courts. The federal lawsuits are consolidated for pre-trial proceedings in a Multi-District Litigation in federal court in New Jersey. The plaintiffs allege they developed kidney injuries as a result of taking Prevacid or Dexilant, and that Takeda failed to adequately warn them of this potential danger. However, it remains unclear how many of these claimants took Takeda PPIs. Similar claims are pending against other manufacturers of drugs in the same proton pump inhibitor (PPI) class as Prevacid and Dexilant, including AstraZeneca, Proctor & Gamble, and Pfizer.

In Canada, three proposed class actions have been filed in three provinces (Quebec, Ontario and Saskatchewan). The defendants include Takeda, AstraZeneca, and several generic manufacturers. It is unclear how many new lawsuits will be filed against Takeda. At this time, a reserve is not probable or estimable.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of Takeda's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for Takeda.

Prevacid

In January 2018, Takeda received notice from Zydus that it has amended its application for a generic version of SoluTab. In response, Takeda filed a patent infringement lawsuit against Zydus and in response, Zydus filed a counterclaim asserting that Takeda's challenge of Zydus' ANDA product violates antitrust laws. Takeda believes the counterclaim is without merit.

Other generic companies have filed ANDAs for generic versions of SoluTab and may launch their products upon approval by the FDA. In June 2009, Apotex filed a lawsuit in Toronto, Canada, against Takeda and Abbott Laboratories seeking alleged damages for delayed market entry of its generic lansoprazole capsules due to a prior patent infringement lawsuit against Apotex. Previously, Abbott and Takeda filed a patent infringement lawsuit against Apotex in response to Apotex's regulatory submission to the Canadian Minister of Health seeking permission to market generic lansoprazole capsules before the expiration of various Canadian patents relating to this drug. In September 2008, Abbott and Takeda settled that patent infringement lawsuit against Apotex and Apotex was allowed to begin selling generic lansoprazole capsules in Canada on May 1, 2009. Under the terms of the settlement, Apotex retained its right to seek damages for delayed market entry caused by the lawsuit.

Pantoprazole

On January 15, 2016, Mylan filed a suit at the Federal Court against Takeda claiming damages as a result of the dismissal of Takeda's previous PM(NOC) proceeding against Mylan. Mylan claimed damages due to being held-off the market with its generic pantoprazole magnesium product during the time period of June 27, 2013 until June 15, 2015. The parties settled the lawsuit in May 2018.

Amitiza

In March 2017, Sucampo (Takeda's licensor) received a paragraph IV certification directed to Amitiza from Amneal Pharmaceuticals, and in August 2017 received a paragraph IV certification directed to Amitiza from Teva. These parties contend that the patents listed in FDA's Orange Book for Amitiza are invalid and/or not infringed by their ANDA product. In response, Sucampo and Takeda filed patent infringement lawsuits against the parties. In June 2018, the parties settled the lawsuits. Patent litigation against other ANDA filers for Amitiza was previously settled.

Trintellix

Takeda has received notices from sixteen generic pharmaceutical companies that they have submitted ANDAs with paragraph IV certifications seeking to sell generic versions of Trintellix. To date, at least five generic companies are challenging the patents covering the compound, vortioxetine, which expire in 2026. Takeda filed patent infringement lawsuits against the ANDA filers in federal court in Delaware.

Entyvio

Roche has filed patent infringement lawsuits against Takeda in Germany, Italy and the U.K. alleging that Entyvio infringes Roche patents. Takeda is vigorously defending the lawsuits. Additionally, Takeda has filed lawsuits seeking nullification of Roche's patents in the U.K. and Germany. Takeda also filed a lawsuit against Genentech in state court in Delaware seeking a declaration that Takeda has a license to the Roche patent under the terms of a prior agreement between Takeda and Genentech.

Other

In addition to the individual patent litigation cases described above, Takeda is party to a number of cases where Takeda has received notices that companies have submitted ANDAs with paragraph IV certifications to sell generic versions of other Takeda products. These include Uloric and Alogliptin products. Takeda has filed patent infringement lawsuits against parties involved in these situations.

Sales, Marketing, and Regulation

Takeda has other litigations related to its products and its activities, the most significant of which are described below.

Antitrust

There have been purported class action lawsuits filed in federal court in New York by several end payors and wholesalers against Takeda alleging anticompetitive conduct to delay generic competition for Actos. In September 2015, the court granted defendants' motions to dismiss the antitrust claims asserted by the end payors. The end payors appealed this decision to the Federal 2nd Circuit Court of Appeals. The wholesalers' lawsuit had been stayed pending the appellate court's decision in the end payors' lawsuit. In February 2017, the appellate court reversed in part the dismissal of the end-payors' case and allowed one of plaintiffs' antitrust

theories to proceed in the trial court. Specifically, the court ruled that plaintiffs sufficiently alleged that Takeda's characterizations of two patents in the FDA Orange Book were false, and that this resulted in delaying Teva's launch of generic Actos. Takeda disagrees with these allegations and believes the Orange Book listings were correct. The court, however, affirmed the trial court's dismissal of other antitrust theories. The end payors' case, along with the wholesalers' case, is proceeding in the trial court, where Takeda has filed a motion to dismiss the remaining legal theory.

Investigation of Patient Assistance Programs

In November 2016, the U.S. Department of Justice (through the U.S. Attorneys' Office in Boston) issued a subpoena to ARIAD, which was acquired by Takeda during the year ended March 31, 2017, seeking information from January 2010 to the present relating to ARIAD's donations to 501(c) (3) co-payment foundations, financial assistance programs, and free drug programs available to Medicare beneficiaries and the relationship between these copayment foundations and specialty pharmacies, hubs or case management programs. ARIAD is cooperating in the investigation.

33. Subsequent Events

Acquisition of Shire plc

On May 8, 2018, the Company reached agreement with Shire plc ("Shire") on the terms of a recommended offer pursuant to which the Company will acquire the entire issued and to be issued ordinary shares of Shire (the "Acquisition").

Shire is a leading global biotechnology company focused on serving patients with rare diseases and other highly specialised conditions.

Under the terms of the Shire Acquisition, Shire shareholders will receive 30.33 USD in cash and either 0.839 Takeda shares or 1.678 Takeda ADSs (American Depository Shares) per Shire share. The expected aggregate consideration is approximately 46 billion GBP (at assumed exchange rate of £: ¥ of 1:151.51, approximately 6.96 trillion JPY), based on the closing price of 4,923 JPY per Takeda share 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 the Shire Board would, in principle, be willing to recommend the consideration proposed by the Company). Immediately following completion of the transaction, Shire shareholders are expected to hold approximately 50 percent of the combined group. The Acquisition is anticipated to complete in the first half of 2019, subject to the completion of applicable conditions including, among other things, the sanction of the Royal Court of Jersey, the approval of the shareholders of both of Shire and the Company and the receipt of regulatory clearances in the relevant jurisdictions.

In certain specific circumstances if the Acquisition does not complete, the Company will be required to pay a break fee to Shire of between 1% and 2% of the total offer price (depending on which circumstances apply, and subject to certain carve-outs) calculated on the basis set out in the announcement made by the Company pursuant to the City Code on Takeovers and Mergers in the UK on May 8, 2018.

Further, the Company has entered into a 364-Day Bridge Credit Agreement of 30.85 billion USD (the "**Bridge Credit Agreement**") to finance funds necessary for the Acquisition on May 8, 2018. The commitments under the Bridge Credit Agreement are contemplated to be reduced or refinanced. On June 8, 2018, the Company has entered into a Term Loan Credit Agreement for an aggregate principal amount of up to 7.5 billion USD to finance a portion funds necessary for the Acquisition, and upon the execution thereof, the commitments under the Bridge Credit Agreement will be reduced by up to 7.5 billion USD.

Disposal of ownership interest in Guangdong Techpool Bio-Pharma Co., Ltd

On May 21, 2018, Takeda entered into an agreement to sell its entire shareholding of 51.34% in Guangdong Techpool Bio-Pharma Co., Ltd ("Techpool"), a leader in the research, discovery and marketing of

urinary protein biopharmaceuticals and production of biopharmaceuticals in critical care for approximately 280 million USD (approximately 30 billion JPY). The transaction is subject to approval from the State Administration for Market Regulation in the People’s Republic of China. The shares of the subsidiary have been sold in August 2018.

Acquisition of TiGenix NV (“TiGenix”)

On April 30, 2018, the Company made an all cash voluntary public takeover bid for the entire issued ordinary shares (“Ordinary Shares”), warrants (“Warrants”) and American Depositary Shares (“ADSs” and together with the Ordinary Shares and the Warrants, the “Securities”) of TiGenix not already owned by Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR. In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.8% of the voting rights. TiGenix NV (“TiGenix”) is a biopharmaceutical company developing novel stem cell therapies for serious medical conditions. This acquisition will expand Takeda’s late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn’s disease (CD). Following the 2nd Takeover bid and a squeeze-out ended in July 2018, TiGenix became a wholly owned subsidiary of Takeda.

The following represents provisional fair value of assets acquired, liabilities assumed:

	JPY (millions)
	Amount
Intangible assets	¥ 63,421
Other assets	5,794
Deferred tax liabilities	(10,128)
Other liabilities	(5,678)
Basis adjustments	(3,381)
Goodwill	19,975
Net Assets Acquired	<u>¥ 70,003</u>

The purchase consideration was comprised of the following:

	JPY (millions)
	Amount
Cash	¥67,319
The ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date	2,684
Total	<u>¥70,003</u>

Goodwill comprises excess earning power expected from the future business development. Goodwill is not deductible for tax purposes.

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of the approval date of the consolidated financial statements. These are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement.

Takeda entered in a forward exchange contract to hedge foreign currency risks and applied the hedge accounting to the contract. Basis adjustment represents a fair value of the hedging instrument of 3,381 million JPY that was added to the amount of goodwill at the acquisition date.

No gains or losses were recognized as a result of remeasurement of fair value of the ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date.

Acquisition-related costs of 767 million JPY which included agent fee and due diligence costs arising from the acquisition were recorded in “Selling, general and administrative expenses” for the year ended March 31, 2019.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the stockholders and the Board of Directors of Shire plc
St Helier, Jersey**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Shire plc and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Index at ITEM 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte LLP

London, United Kingdom
February 16, 2018

We have served as the Company’s auditor since 2002.

SHIRE PLC
CONSOLIDATED BALANCE SHEETS
(In millions, except par value of shares)

	<u>Notes</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 472.4	\$ 528.8
Restricted cash		39.4	25.6
Accounts receivable, net	8	3,009.8	2,616.5
Inventories	9	3,291.5	3,562.3
Prepaid expenses and other current assets	10	795.3	806.3
Total current assets		<u>7,608.4</u>	<u>7,539.5</u>
Investments		241.1	191.6
Property, plant and equipment (PP&E), net	11	6,635.4	6,469.6
Goodwill	13	19,831.7	17,888.2
Intangible assets, net	12	33,046.1	34,697.5
Deferred tax asset	21	188.8	96.7
Other non-current assets		205.4	152.3
Total assets		<u><u>\$67,756.9</u></u>	<u><u>\$67,035.4</u></u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	16	\$ 4,184.5	\$ 4,312.4
Short term borrowings and capital leases	17	2,788.7	3,068.0
Other current liabilities	18	908.8	362.9
Total current liabilities		<u>7,882.0</u>	<u>7,743.3</u>
Long term borrowings and capital leases	17	16,752.4	19,899.8
Deferred tax liability	21	4,748.2	8,322.7
Other non-current liabilities		2,197.9	2,121.6
Total liabilities		<u>31,580.5</u>	<u>38,087.4</u>
Commitments and contingencies	24		
Equity:			
Common stock of 5p par value; 1,500 shares authorized; and 917.1 shares issued and outstanding (2016: 1,500 shares authorized; and 912.2 shares issued and outstanding)	26	81.6	81.3
Additional paid-in capital		25,082.2	24,740.9
Treasury stock: 8.4 shares (2016: 9.1 shares)	26	(283.0)	(301.9)
Accumulated other comprehensive income/(loss)	20	1,375.0	(1,497.6)
Retained earnings		9,920.6	5,925.3
Total equity		<u>36,176.4</u>	<u>28,948.0</u>
Total liabilities and equity		<u><u>\$67,756.9</u></u>	<u><u>\$67,035.4</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	Notes	Years ended December 31,		
		2017	2016	2015
Revenues:				
Product sales		\$14,448.9	\$10,885.8	\$6,099.9
Royalties and other revenues		711.7	510.8	316.8
Total revenues		<u>15,160.6</u>	<u>11,396.6</u>	<u>6,416.7</u>
Costs and expenses:				
Cost of sales		4,700.8	3,816.5	969.0
Research and development		1,763.3	1,439.8	1,564.0
Selling, general and administrative		3,530.9	3,015.2	1,842.5
Amortization of acquired intangible assets	12	1,768.4	1,173.4	498.7
Integration and acquisition costs	5	894.5	883.9	39.8
Reorganization costs	6	47.9	121.4	97.9
Gain on sale of product rights		(0.4)	(16.5)	(14.7)
Total operating expenses		<u>12,705.4</u>	<u>10,433.7</u>	<u>4,997.2</u>
Operating income from continuing operations		2,455.2	962.9	1,419.5
Interest income		9.7	18.4	4.2
Interest expense		(578.9)	(469.6)	(41.6)
Other income/(expense), net		7.4	(25.6)	3.7
Total other expense, net		<u>(561.8)</u>	<u>(476.8)</u>	<u>(33.7)</u>
Income from continuing operations before income taxes and equity in earnings/(losses) of equity method investees		1,893.4	486.1	1,385.8
Income taxes	21	2,357.6	126.1	(46.1)
Equity in earnings/(losses) of equity method investees, net of taxes ..		2.5	(8.7)	(2.2)
Income from continuing operations, net of taxes		<u>4,253.5</u>	<u>603.5</u>	<u>1,337.5</u>
Gain/(loss) from discontinued operations, net of taxes	7	18.0	(276.1)	(34.1)
Net income		<u>\$ 4,271.5</u>	<u>\$ 327.4</u>	<u>\$1,303.4</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(In millions, except per share amounts)

	Notes	Years ended December 31,		
		2017	2016	2015
Earnings per Ordinary Share – basic				
Earnings from continuing operations	22	\$ 4.69	\$ 0.78	\$ 2.27
Earnings/(loss) from discontinued operations	22	0.02	(0.35)	(0.06)
Earnings per Ordinary Share – basic		<u>\$ 4.71</u>	<u>\$ 0.43</u>	<u>\$ 2.21</u>
Earnings per Ordinary Share – diluted				
Earnings from continuing operations	22	\$ 4.66	\$ 0.77	\$ 2.26
Earnings/(loss) from discontinued operations	22	0.02	(0.35)	(0.06)
Earnings per Ordinary Share – diluted		<u>\$ 4.68</u>	<u>\$ 0.42</u>	<u>\$ 2.20</u>
Weighted average number of shares:				
Basic	22	906.5	770.1	590.4
Diluted	22	<u>912.0</u>	<u>776.2</u>	<u>593.1</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	<u>Years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income	\$4,271.5	\$ 327.4	\$1,303.4
Other comprehensive income/(loss):			
Foreign currency translation adjustments	2,785.0	(1,323.3)	(156.4)
Pension and other employee benefits (net of tax expense of \$11.2 million, \$8.8 million and \$nil for the years ended December 31, 2017, 2016 and 2015, respectively)	32.7	(5.2)	—
Unrealized gain on available-for-sale securities (net of tax benefit of \$0.1 million the years ended December 31, 2017 and 2016 and \$nil for the year ended December 31, 2015)	61.3	8.3	4.1
Hedging activities (net of tax benefit of \$3.1 million, tax expense of \$3.3 million and \$nil for the years ended December 31, 2017, 2016 and 2015, respectively)	(6.4)	6.4	—
Comprehensive income/(loss)	<u>\$7,144.1</u>	<u>\$ (986.4)</u>	<u>\$1,151.1</u>

The components of Accumulated other comprehensive income/(loss) as of December 31, 2017 and December 31, 2016 are as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Foreign currency translation adjustments	\$1,279.6	\$(1,505.4)
Pension and other employee benefits, net of taxes	27.5	(5.2)
Unrealized holding gain on available-for-sale securities, net of taxes	67.9	6.6
Hedging activities, net of taxes	—	6.4
Accumulated other comprehensive income/(loss)	<u>\$1,375.0</u>	<u>\$(1,497.6)</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions)

	Common stock number of shares	Common stock	Additional paid-in capital	Treasury stock	Accumulated other comprehensive (loss)/income	Retained earnings	Total equity
As of January 1, 2017	912.2	\$81.3	\$24,740.9	\$(301.9)	\$(1,497.6)	\$5,925.3	\$28,948.0
Net income	—	—	—	—	—	4,271.5	4,271.5
Other comprehensive income, net of tax	—	—	—	—	2,872.6	—	2,872.6
Shares issued under employee benefit plans and other	4.9	0.3	155.7	—	—	—	156.0
Cumulative-effect adjustment from adoption of ASU 2016-09	—	—	10.7	—	—	24.0	34.7
Share-based compensation	—	—	174.9	—	—	—	174.9
Shares released by employee benefit trust to satisfy exercise of stock options	—	—	—	18.9	—	(18.9)	—
Dividends	—	—	—	—	—	(281.3)	(281.3)
As of December 31, 2017	<u>917.1</u>	<u>\$81.6</u>	<u>\$25,082.2</u>	<u>\$(283.0)</u>	<u>\$ 1,375.0</u>	<u>\$9,920.6</u>	<u>\$36,176.4</u>

Dividends per share

During the year ended December 31, 2017, Shire plc declared and paid dividends of \$0.3079 per ordinary share (equivalent to \$0.9237 per ADS) totaling \$281.3 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions)

	Common stock number of shares	Common stock	Additional paid-in capital	Treasury stock	Accumulated other comprehensive loss	Retained earnings	Total equity
As of January 1, 2016	601.1	\$58.9	\$ 4,486.3	\$(320.6)	\$ (183.8)	\$5,788.3	\$ 9,829.1
Net income	—	—	—	—	—	327.4	327.4
Other comprehensive loss, net of tax	—	—	—	—	(1,313.8)	—	(1,313.8)
Shares issued under employee benefit plans	5.9	0.4	138.4	—	—	—	138.8
Shares issued for the acquisition of Baxalta	305.2	22.0	19,788.9	—	—	—	19,810.9
Share-based compensation	—	—	318.5	—	—	—	318.5
Tax benefit associated with exercise of stock options	—	—	8.8	—	—	—	8.8
Shares released by employee benefit trust to satisfy exercise of stock options	—	—	—	18.7	—	(19.1)	(0.4)
Dividends	—	—	—	—	—	(171.3)	(171.3)
As of December 31, 2016	<u>912.2</u>	<u>\$81.3</u>	<u>\$24,740.9</u>	<u>\$(301.9)</u>	<u>\$(1,497.6)</u>	<u>\$5,925.3</u>	<u>\$28,948.0</u>

Dividends per share

During the year ended December 31, 2016, Shire plc declared and paid dividends of \$0.2679 per ordinary share (equivalent to \$0.8037 per ADS) totaling \$171.3 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions)

	Common stock number of shares	Common stock	Additional paid-in capital	Treasury stock	Accumulated other comprehensive loss	Retained earnings	Total equity
As of January 1, 2015	599.1	\$58.7	\$4,338.0	\$(345.9)	\$ (31.5)	\$4,643.6	\$8,662.9
Net income	—	—	—	—	—	1,303.4	1,303.4
Other comprehensive loss, net of tax	—	—	—	—	(152.3)	—	(152.3)
Options exercised	2.0	0.2	16.4	—	—	—	16.6
Share-based compensation	—	—	100.3	—	—	—	100.3
Tax benefit associated with exercise of stock options	—	—	31.6	—	—	—	31.6
Shares released by employee benefit trust to satisfy exercise of stock options	—	—	—	25.3	—	(24.3)	1.0
Dividends	—	—	—	—	—	(134.4)	(134.4)
As of December 31, 2015	<u>601.1</u>	<u>\$58.9</u>	<u>\$4,486.3</u>	<u>\$(320.6)</u>	<u>\$(183.8)</u>	<u>\$5,788.3</u>	<u>\$9,829.1</u>

Dividends per share

During the year ended December 31, 2015, Shire plc declared and paid dividends of \$0.233 per ordinary share (equivalent to \$0.699 per ADS) totaling \$134.4 million.

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,271.5	\$ 327.4	\$ 1,303.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,264.2	1,466.3	637.2
Share based compensation	174.9	318.5	100.3
Amortization of deferred financing fees	12.8	125.5	—
Expense related to the unwind of inventory fair value adjustments	747.8	1,118.0	31.1
Change in deferred taxes	(2,916.4)	(594.6)	(198.2)
Change in fair value of contingent consideration	120.7	11.1	(149.9)
Impairment of PP&E and intangible assets	289.9	101.3	643.7
Other, net	55.6	31.4	—
Changes in operating assets and liabilities:			
Increase in accounts receivable	(487.6)	(701.7)	(211.4)
Increase in sales deduction accrual	314.1	288.3	97.6
Increase in inventory	(145.1)	(255.8)	(63.2)
Decrease/(increase) in prepayments and other assets	81.1	(198.4)	37.2
(Decrease)/increase in accounts payable and other liabilities	(526.8)	621.6	109.2
Net cash provided by operating activities	<u>4,256.7</u>	<u>2,658.9</u>	<u>2,337.0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of PP&E	(798.8)	(648.7)	(114.7)
Purchases of businesses, net of cash acquired	—	(17,476.2)	(5,553.4)
Proceeds from sale of investments	88.6	0.9	85.7
Movements in restricted cash	(13.7)	62.8	(32.0)
Other, net	23.0	(31.0)	(5.5)
Net cash used in investing activities	<u>(700.9)</u>	<u>(18,092.2)</u>	<u>(5,619.9)</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In millions)

	Years ended December 31,		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolving line of credit, long term and short term borrowings	4,236.7	32,443.4	3,760.8
Repayment of revolving line of credit, long term and short term borrowings	(7,681.4)	(16,404.3)	(3,110.9)
Payment of dividend	(281.3)	(171.3)	(134.4)
Debt issuance costs	—	(172.3)	(24.1)
Proceeds from issuance of stock for share-based compensation arrangements	134.1	169.2	16.6
Other, net	(27.4)	(38.9)	(69.0)
Net cash (used in)/provided by financing activities	<u>(3,619.3)</u>	<u>15,825.8</u>	<u>439.0</u>
Effect of foreign exchange rate changes on cash and cash equivalents	7.1	0.8	(3.0)
Net (decrease)/increase in cash and cash equivalents	(56.4)	393.3	(2,846.9)
Cash and cash equivalents at beginning of period	528.8	135.5	2,982.4
Cash and cash equivalents at end of period	<u>\$ 472.4</u>	<u>\$ 528.8</u>	<u>\$ 135.5</u>

Supplemental information:

	Years ended December 31,		
	2017	2016	2015
Interest paid	\$ 554.2	\$ 284.0	\$ 20.0
Income taxes paid, net	<u>\$ 524.7</u>	<u>\$ 431.0</u>	<u>\$ 69.0</u>

For stock issued as purchase consideration for the acquisition of Baxalta related to non-cash investing activities, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

SHIRE PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Operations

Shire plc and its subsidiaries (collectively referred to as either “Shire” or the “Company”) is the leading global biotechnology company focused on serving people with rare diseases.

Some of the Company’s marketed products include GAMMAGARD, HYQVIA and CINRYZE for Immunology, ADVATE/ADYNOVATE, VONVENDI and FEIBA for Hematology, VYVANSE and ADDERALL XR for Neuroscience, LIALDA/MEZAVANT and PENTASA for Internal Medicine, ELAPRASE and REPLAGAL for Genetic Diseases, ONCASPAR and ONYVIDE for Oncology and XIIDRA for Ophthalmics.

The Company has grown both organically and through acquisition, completing a series of major transactions that have brought therapeutic, geographic and pipeline growth and diversification. The Company will continue to conduct its own research and development (R&D) focused on rare diseases, as well as evaluate companies, products and pipeline opportunities that offer a strategic fit and have the potential to deliver value to all of the Company’s stakeholders: patients, physicians, policy makers, payers, partners, investors and employees.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Shire plc, all of its subsidiaries and the Income Access Share trust, after elimination of inter-company accounts and transactions. They have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and U.S. Securities and Exchange Commission (SEC) regulations for annual reporting.

On June 3, 2016, the Company completed its acquisition of Baxalta for \$32.4 billion, representing the fair value of purchase consideration. The Company’s Consolidated Financial Statements include the results of Baxalta from the date of acquisition. For further details regarding the acquisition, refer to Note 3, Business Combinations, to the Consolidated Financial Statements set forth in this Annual Report on Form 10-K.

Use of Estimates

The preparation of Financial Statements, in conformity with U.S. GAAP and SEC regulations, requires management to make estimates, judgments and assumptions that affect the reported and disclosed amounts of assets, liabilities and equity at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses during the period. On an on-going basis, the Company evaluates its estimates, judgments and methodologies. Estimates are based on historical experience, current conditions and on various other assumptions that are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities and equity and the amounts of revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions.

Consolidation

The Consolidated Financial Statements reflect the financial statements of the Company and those of the Company’s wholly-owned subsidiaries. For consolidated entities where the Company owns or is exposed to less than 100% of the economics, the Company records net income (loss) attributable to non-controlling interests in its Consolidated Statements of Operations equal to the percentage of the economic or ownership interest retained in such entities by the respective non-controlling parties. Intercompany balances and transactions are eliminated in consolidation.

The Company determines whether to consolidate subsidiaries based on either the variable interest entity (VIE) model or the voting interest model. The Company consolidates a VIE if it is determined that the Company is the primary beneficiary of the VIE. In determining whether the Company is the primary beneficiary of an entity, management applies a qualitative approach that determines whether the Company has both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to that entity. The Company consolidates entities that are not VIEs if it is determined that the Company holds a majority voting interest in the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Intercompany balances and transactions are eliminated in consolidation.

Revenue recognition

The Company recognizes revenue when all of the following criteria are met:

- there is persuasive evidence an arrangement exists;
- delivery has occurred or services have been rendered;
- the price to the customer is fixed or determinable; and
- collectibility is reasonably assured.

Where applicable, all revenues are stated net of value added and similar taxes and trade discounts. The Company's principal revenue streams and their respective accounting treatments are discussed below:

Product sales

Revenues from Product sales are recognized when title and risk of loss have passed to the customer, which is typically upon delivery. Product sales are recorded net of applicable reserves for discounts and allowances.

Reserves for Discounts and Allowances

The Company establishes reserves for trade discounts, chargebacks, distribution service fees, Medicaid rebates, managed care rebates, incentive rebates, product returns and other governmental rebates or applicable allowances. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Management's estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Actual amounts may ultimately differ from estimates. If actual results vary, management adjusts these estimates, which have an effect on earnings in the period of adjustment.

- Trade discounts are generally credits granted to wholesalers, specialty pharmacies and other customers for remitting payment on their purchases within established incentive periods and are classified as a reduction of accounts receivable.
- Chargebacks are credits or payments issued to wholesalers and distributors who provide products to qualified healthcare providers at prices lower than the list prices charged to the wholesaler or distributor. Reserves are estimated based on expected purchases by those qualified healthcare providers. Chargeback reserves are classified as a reduction of accounts receivable.
- Distribution service fees are credits or payments issued to wholesalers, distributors and specialty pharmacies for compliance with various contractually-defined inventory management practices or services provided to support patient access to a product. These fees are generally based on a

percentage of gross purchases but can also be based on additional services these entities provide. Most of these costs are reflected as a reduction of gross sales; however, to the extent benefit from services can be separately identified and the fair value determined, costs are classified in Selling, general and administrative expense. Reserves are classified within accrued expenses.

- Medicaid rebates are payments to States under statutory and voluntary reimbursement arrangements. Reserves for these rebates are generally based on an estimate of expected product usage by Medicaid patients and expected rebate rates. Statutory rates are generally based on a percentage of selling price adjusted upwards for price increases in excess of published inflation indices. As a result, rebates generally increase as a percentage of the selling price over the life of the product (as prices increase). Medicaid rebate reserves are classified within accrued expenses.
- Managed care rebates are payments to third parties, primarily pharmacy benefit managers and other health insurance providers. The reserve for these rebates is based on an estimate of customer buying patterns and applicable contractual rebate rates to be earned over each period. Reserves are classified within accrued expenses.
- Incentive rebates are generally credits or payments issued to specialty pharmacies, distributors or Group Purchasing Organizations for qualified purchases of certain products. Reserves are estimated based on the terms of each individual contract and purchase volumes and are classified within accrued expenses.
- Return credits are issued to customers for return of product damaged in shipment and, for certain products, return due to lot expiry. The majority of returns are due to expiry, and reserves are estimated based on historical returns experience. The returns reserve is classified within accrued expenses.
- Other discounts and allowances include Medicare rebates, coupon and patient co-pay assistance. Medicare rebates are payments to certain health insurance providers of Medicare Part D coverage to qualified patients. Reserve estimates are based on customer buying patterns and applicable contractual rebate rates to be earned over each period. Coupon and co-pay assistance programs provide discounts to qualified patients. Reserve estimates are based on expected claim volumes under these programs and estimated cost per claim that the Company expects to pay. Reserves for Medicare and coupon and patient co-pay programs are classified within accrued expenses.

Royalties and Other Revenue

Royalty income relating to licensed technology is recognized when the licensee sells the underlying product, with the amount of royalty income recorded based on sales information received from the relevant licensee. The Company estimates sales amounts and related royalty income based on the historical product information for any period that the sales information is not available from the relevant licensee.

Other revenue includes revenues derived from product out-licensing arrangements, which may consist of an initial up-front payment on inception of the license and subsequent milestone payments upon achievement of certain clinical and sales milestones. To the extent the license requires Shire to provide services to the licensee; up-front payments are deferred and recognized over the service period.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method, assets acquired, including in-process research and development (IPR&D) projects, and liabilities assumed are recorded at their respective fair values as of the acquisition date in the Consolidated Financial Statements. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Contingent consideration obligations incurred in connection with a business

combination (including the assumption of an acquirer's liability arising from a business combination it completed prior to the acquisition) are recorded at their fair values on the acquisition date and remeasured at their fair values each subsequent reporting period until the related contingencies are resolved. The resulting changes in fair values are recorded in earnings.

Goodwill

Goodwill represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets acquired in a business combination. Goodwill is not amortized, but instead is reviewed for impairment. Goodwill is reviewed annually, as of October 1, and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. Events or changes in circumstances which could trigger an impairment review include but are not limited to: unexpected adverse business conditions, economic factors, unanticipated technological changes or competitive activities and acts by governments and courts.

For the purpose of assessing the carrying value of goodwill for impairment, goodwill is allocated at the Company's reporting unit level. As described in Note 27, Segment Reporting, the Company operates in one operating segment which it considers to be its only reporting unit.

The Company reviews goodwill for impairment by firstly assessing qualitative factors, including comparing the market capitalization of the Company to the carrying value of its assets, to determine whether events or circumstances exist which indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing these qualitative factors, it is deemed more likely than not that the fair value of a reporting unit is less than its carrying value, a "two step" quantitative assessment is performed by comparing the carrying value of the reporting unit's net assets (including allocated goodwill) to the fair value of the reporting unit.

If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of its reporting unit, then it determines the implied fair value of its reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded.

Intangible Assets

Intangible assets primarily relate to commercially marketed products and IPR&D projects. Intangible assets are recorded at fair value at the time of their acquisition and are stated in the Consolidated Balance Sheets, net of accumulated amortization and impairments, if applicable.

Intangible assets related to commercially marketed products are amortized over their estimated useful lives. Remaining useful lives range from 1 year to 24 years (weighted average 19 years) and the Company amortizes its intangibles on an economic consumption method, or a straight-line basis when straight-line method approximates economic consumption method.

Milestone payments made to third parties on and subsequent to regulatory approval are capitalized as intangible assets, and amortized over the remaining useful life of the related product.

The following factors, where applicable, are considered in estimating the useful lives of intangible assets:

- expected use of the asset;
- regulatory, legal or contractual provisions, including the regulatory approval and review process, patent issues and actions by government agencies;

- the effects of obsolescence, changes in demand, competing products and other economic factors, including the stability of the market, known technological advances, development of competing drugs that are more effective clinically or economically;
- actions of competitors, suppliers, regulatory agencies or others that may eliminate current competitive advantages; and
- historical experience of renewing or extending similar arrangements.

Acquired IPR&D represents the fair value assigned to research and development assets that have not reached technological feasibility. The value assigned to acquired IPR&D is determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the net cash flows to present value. The revenue and costs projections used to value acquired IPR&D are, as applicable, reduced based on the probability of success of developing a new drug. Additionally, the projections consider the relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by the Company and its competitors. The rates utilized to discount the net cash flows to their present value are commensurate with the stage of development of the projects and uncertainties in the economic estimates used in the projections.

Upon the acquisition of IPR&D, the Company completes an assessment of whether the acquisition constitutes the purchase of a single asset or a group of assets. The Company considers multiple factors in this assessment, including the nature of the technology acquired, the presence or absence of separate cash flows, the development process and stage of completion, quantitative significance and its rationale for entering into the transaction.

If the Company acquires a business as defined under applicable accounting standards, then the acquired IPR&D is capitalized as an intangible asset. If the Company acquires an asset or group of assets that do not meet the definition of a business, then the acquired IPR&D is expensed on its acquisition date. Future costs to develop these assets are recorded to research and development expense as they are incurred.

IPR&D projects are considered to be indefinite-lived until completion of the associated R&D efforts. If and when development is complete, which generally occurs when regulatory approval to market a product is obtained, the associated assets would be deemed finite-lived and would then be amortized based on their respective estimated useful lives at that point in time. Intangible assets related to IPR&D projects are reviewed for impairment at least annually, as of October 1st, until commercialization, after which time the IPR&D is amortized over its estimated useful life.

Impairment of Long-lived Assets

The Company evaluates the carrying value of long-lived assets, except for goodwill and indefinite lived intangible assets, whenever events or changes in circumstances indicate that the carrying amounts of the relevant assets may not be recoverable. When such a determination is made, management's estimate of undiscounted cash flows to be generated by the use and ultimate disposition of these assets is compared to the carrying value of the assets to determine whether the carrying value is recoverable. If the carrying value is deemed not to be recoverable, the amount of the impairment recognized in the Consolidated Financial Statements is determined by estimating the fair value of the relevant assets and recording an impairment loss for the amount by which the carrying value exceeds the estimated fair value.

The Company calculates the fair value using significant estimates and assumptions including but not limited to: revenues and operating profits related to the products, existing competitive activities and acts by governments and courts. Changes in these estimates and assumptions could materially affect the determination of fair value. Should the fair value of long-lived assets decline, charges for impairment may be necessary.

Fair Value Measurements

The Company has certain financial assets and liabilities recorded at fair value which have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements:

- Level 1 - Fair values are determined utilizing quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access;
- Level 2 - Fair values are determined by utilizing quoted prices for similar assets and liabilities in active markets or other market observable inputs such as interest rates, yield curves and foreign currency spot rates; and
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The majority of the Company's financial assets have been classified as Level 1 and 2. The Company's financial assets, which include cash equivalents, derivative contracts, marketable equity and debt securities, and plan assets for deferred compensation, have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third-party pricing services or other market observable data. The Company utilizes industry standard valuation models, including both income and market-based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events.

Accounts receivable

The Company's accounts receivable arise from Product sales and represent amounts due from its customers. The Company monitors the financial performance and credit worthiness of its large customers so that it can assess and respond to changes in their credit profile. The Company provides reserves against accounts receivable for estimated losses, if any, that may result from a customer's inability to pay. Amounts determined to be uncollectible are written-off against the reserve.

Investments

The Company has certain investments in pharmaceutical and biotechnology companies whose securities are not publicly traded and where fair value is not readily available. These investments are recorded using either the cost method or the equity method of accounting, depending on its ownership percentage and other factors that suggest the Company has significant influence. Under the equity method of accounting, the Company records its investments in equity-method investees in the consolidated balance sheet under Investments and its share of the investees' earnings or losses together with other-than-temporary impairments in value under Equity in earnings/(losses) of equity method investees, net of taxes in the Consolidated Statements of Operations. The Company monitors these investments to evaluate whether any decline in their value has occurred that would be other-than-temporary, based on the implied value of recent company financings, public market prices of comparable companies, and general market conditions.

All other equity investments, which consist of investments for which the Company does not have the ability to exercise significant influence, are accounted for under the cost method or at fair value. Investments in private companies are carried at cost, less provisions for other-than-temporary impairment in value. For investments in equity investments that have readily determinable fair values, the Company classifies its equity investments as available-for-sale and, accordingly, records these investments at their fair values with unrealized holding gains and losses included in the Consolidated Statements of Comprehensive Income, net of any related tax effect. Realized gains and losses, and declines in value of available-for-sale securities judged to be other-

than-temporary, are included in Other income/(expense), net in the Consolidated Statements of Operations. The cost of securities sold is based on the specific identification method. Interest on securities classified as available-for-sale is included as Interest income in the Consolidated Statements of Operations.

Inventories

Inventories are stated at the lower of cost, computed using the first-in, first-out method, and net realizable value. The inventory costs are classified as long term when the Company expects to utilize the inventory beyond the normal operating cycle and includes these costs in Other non-current assets in the Consolidated Balance Sheets.

Capitalization of Inventory Costs

The Company capitalizes inventory costs associated with its products prior to regulatory approval, when, based on management’s judgment, future commercialization is considered highly probable and the future economic benefit is expected to be realized.

Obsolescence and Unmarketable Inventory

Inventories are written down for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and estimated net realizable value based upon assumptions about future demand and market conditions. Amounts written down due to obsolescence and unmarketable inventory are charged to Cost of sales.

Property, plant and equipment

Property, plant and equipment are carried at cost, net of accumulated depreciation and impairment losses. Property, plant and equipment are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The cost of normal, recurring, or periodic repairs and maintenance activities related to property, plant and equipment are expensed as incurred. The cost for planned major maintenance activities, including the related acquisition or construction of assets, is capitalized if the repair will result in future economic benefits.

Interest costs incurred during the construction of major capital projects are capitalized until the underlying asset is ready for its intended use, at which point the interest costs are amortized as depreciation expense over the useful life of the underlying asset. The Company also capitalizes certain direct and incremental costs associated with the validation effort required for licensing by regulatory agencies of new manufacturing equipment for the production of a commercially approved drug. These costs primarily include direct labor and material and are incurred in preparing the equipment for its intended use. The validation costs are amortized over the useful life of the related equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives as follows:

<u>Asset category</u>	<u>Estimated useful lives</u>
Land	Not depreciated
Buildings and leasehold improvements	15 to 50 years
Office furniture, fittings and equipment	3 to 10 years
Machinery, equipment and other	3 to 15 years

At the time property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts. The profit or loss on such disposition is reflected in operating income.

Assets Held for Sale

The Company classifies long-lived assets or disposal groups to be sold as held for sale in the period in which all of the following criteria are met:

- management, having the authority to approve the action, commits to a plan to sell the asset or disposal group;
- the asset or disposal group is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated;
- the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset or disposal group beyond one year;
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held-for-sale criteria are met.

The Company assesses the fair value of a long-lived asset or disposal group less any costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Company ceases depreciation.

Discontinued operations

Discontinued operations comprise those activities that were disposed of during the period or which were classified as held for sale at the end of the period, and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes.

Contingent consideration payable

Contingent consideration payable represents future milestones and royalties the Company may be required to pay in conjunction with various business combinations. The amounts ultimately payable by the Company are dependent upon the successful achievement of the underlying scientific or commercial event and future net sales of the relevant products over applicable term. The Company records an obligation for such contingent payments at fair value on the acquisition date. The Company assesses the probability, and estimated timing, of these milestones being achieved and the present value of forecast future net sales of the relevant products and re-measures the related contingent consideration to fair value each balance sheet date. The amount of contingent consideration which may ultimately be payable by Shire in relation to future royalties is dependent upon future net sales of the relevant products over the life of the royalty term.

The fair value of the Company's contingent consideration payable, which is considered as Level 3 within the fair value hierarchy, could significantly increase or decrease due to changes in certain assumptions

which underpin the fair value measurements. Each set of assumptions and milestones is specific to the individual contingent consideration payable. The assumptions include, among other things, the probability of, and period in which, the relevant milestone event is expected to be achieved; the amount of royalties that will be payable based on forecast net sales of the relevant products; and the discount rates to be applied in calculating the present values of the relevant milestone or royalty. The Company regularly reviews these assumptions, and makes adjustments to the fair value measurements as required by facts and circumstances.

Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to foreign exchange risk to earnings relating to forecasted transactions and recognized assets and liabilities. For each derivative instrument that is designated and effective as a cash flow hedge, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income (AOCI) and then recognized in earnings consistent with the underlying hedged item. Cash flow hedges are classified in revenues and cost of sales and primarily relate to forecasted third-party sales denominated in foreign currencies and forecasted intercompany sales denominated in foreign currencies, respectively.

In its application of hedge accounting, the Company assesses, both at inception and on a prospective basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows or fair values of the hedged items. The Company also assesses hedge effectiveness on a retrospective basis every quarter with any hedge ineffectiveness recorded to the Consolidated Statements of Operations.

The Company uses forward contracts to mitigate the effects of changes in foreign exchange relating to certain of the Company's intercompany and third-party receivables and payables. These derivative instruments generally are not formally designated as hedges and the terms of these instruments generally do not exceed three months. The fair values of these instruments are included in the Consolidated Balance Sheets in Current assets or Current liabilities, with changes in the fair value recognized in the Consolidated Statements of Operations. The cash flows relating to these instruments are presented within Net cash provided by operating activities in the Consolidated Statements of Cash Flows, unless the derivative instruments are economically hedging specific investing or financing activities.

Translation of foreign currency

The functional currency for most of the foreign subsidiaries is their local currency. For the non-U.S. subsidiaries that transact in a functional currency other than the U.S. dollar, assets and liabilities are translated at current rates of exchange at the balance sheet date. Income and expense items are translated at the average foreign exchange rates for the period. Adjustments resulting from the translation of the financial statements of the foreign operations into U.S. dollars are excluded from the determination of Net income and are recorded in AOCI, a separate component of equity. For subsidiaries where the functional currency of the assets and liabilities differ from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date assets were acquired while monetary assets and liabilities are translated at current rates of exchange as of the balance sheet date. Income and expense items are translated at the average foreign currency rates for the period. Translation adjustments of these subsidiaries are included in Other income/(expense), net.

Foreign currency exchange transaction (losses)/gains included in Consolidated Statements of Operations in the years ended December 31, 2017, 2016 and 2015 amounted to \$(97.3) million, \$17.7 million and \$(26.5) million, respectively.

Cost of sales

Cost of sales includes the cost of purchasing finished product for sale, the cost of raw materials and costs of manufacturing those products including shipping and handling costs, depreciation and amortization of

intangible assets in respect of favorable manufacturing contracts. Royalties payable to third party intellectual property owners related to the sold products are also included in Cost of sales.

Research and development (R&D) expense

Research and development expenses consist of compensation and benefits, facilities and overhead expenses, clinical trial expenses and fees paid to contract research organizations (CROs), clinical supply and manufacturing expenses and upfront fees and milestones paid to collaborators. R&D expense also includes the impairment charges related to the IPR&D intangible assets.

Research and development expenses are expensed as incurred. Payments that were made for research and development services prior to the services being rendered are recorded as Prepaid expenses and other current assets on the Consolidated Balance Sheets and are expensed as the services are provided. Management also accrues the costs of ongoing clinical trials associated with programs that have been terminated or discontinued for which there is no future economic benefit at the time the decision is made to terminate or discontinue the program.

Selling, general and administrative expenses

Selling, general and administrative expenses are primarily comprised of compensation and benefits associated with sales and marketing, finance, human resources, legal, information technology and other administrative personnel, outside marketing, advertising and legal expenses and other general and administrative costs.

Advertising costs are expensed as incurred. Advertising costs amounted to \$210.3 million, \$216.0 million and \$56.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Collaborative arrangements

The Company enters into collaborative arrangements to develop and commercialize drug candidates. These collaborative arrangements often require up-front, milestone, royalty or profit share payments, or a combination of these, with payments often contingent upon the success of the related development and commercialization efforts. Collaboration agreements entered into by the Company may also include expense reimbursements or other such payments to the collaborating partner. The Company records payments received from the collaborative partners for their share of the development costs as a reduction of research and development expense.

For collaborations with commercialized products, if the Company is the principal, it records revenue and the corresponding operating costs in their respective line items in the Consolidated Statements of Operations. If the Company is not the principal, it records operating costs as a reduction of revenue.

Leased assets

The costs of operating leases are charged to operations on a straight-line basis over the lease term, even if rental payments are not made on such a basis.

Assets acquired under capital leases are included in the Consolidated Balance Sheets as property, plant and equipment and are depreciated over the shorter of the period of the lease or their useful lives. The capital element of future lease payments is recorded as a liability, while the interest element is charged to operations over the period of the lease to produce a level yield on the balance of the capital lease obligation.

Finance costs of debt

Financing costs relating to debt issued are recorded against the corresponding debt and amortized to the Consolidated Statements of Operations over the period to the earliest redemption date of the debt, using the effective interest rate method. On extinguishment of the related debt, any unamortized deferred financing costs are written off and charged to Interest expense in the Consolidated Statements of Operations.

Income taxes

The provision for income taxes includes Irish corporation tax, US federal, state, local and other foreign taxes. Income taxes are accounted for under the liability method.

Uncertain tax positions are recognized in the Consolidated Financial Statements for positions which are considered more likely than not of being sustained, based on the technical merits of the position on audit by the tax authorities. The measurement of the tax benefit recognized in the Consolidated Financial Statements is based upon the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized based on a cumulative probability assessment of the possible outcomes.

The Company recognizes interest and penalties relating to income taxes within Income taxes. Interest income on cash required to be deposited with the tax authorities is recognized within Interest income.

Deferred tax assets and liabilities are recognized for differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Earnings per share

Basic earnings per share is based upon net income attributable to the Company divided by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is based upon net income attributable to the Company divided by the weighted average number of ordinary share equivalents outstanding during the period, adjusted for the dilutive effect of all potential ordinary shares equivalents that were outstanding during the year. Such potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce the diluted loss per share.

Share-based compensation

The share-based compensation programs grant awards that include stock-settled share appreciation rights (SARs), stock options, performance share awards (PSAs), restricted stock units (RSUs) and performance share units (PSUs). The Company also operates a Global Employee Stock Purchase Plan, and Sharesave Plans in the UK and Ireland.

Share-based compensation represents the cost of share-based awards granted to employees. The Company measures share-based compensation cost for awards classified as equity at the grant date, based on the estimated fair value of the award. Predominantly all of the Company's awards have service and/or performance conditions and the fair values of these awards are estimated using a Black-Scholes valuation model.

For share-based compensation awards which cliff vest, the Company recognizes the cost of the relevant share-based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the

employee's requisite service period. For those share-based compensation awards with a graded vesting schedule, the Company recognizes the cost of the relevant share-based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the requisite service period for the entire award (that is, over the requisite service period for the last separately vesting portion of the award). The share-based compensation expense is recorded in Cost of product sales, R&D, SG&A, Reorganization costs and Integration and Acquisition costs in the Consolidated Statements of Operations based on the employees' respective functions.

The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of compensation cost recognized and the Company's statutory tax rate in the jurisdiction in which it will receive a deduction. For the years ended December 31, 2016 and 2015, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax returns were recorded in additional paid-in capital (if the tax deduction exceeds the deferred tax asset) or in the Consolidated Statements of Operations (if the deferred tax asset exceeds the tax deduction and no additional paid-in capital exists from previous awards). Following the adoption of new accounting guidance effective January 1, 2017, for the year ended December 31, 2017, differences between the deferred tax assets and the actual tax deduction reported on the Company's income tax returns were recorded in the Consolidated Statements of Operations, including if the tax deduction exceeds the deferred tax asset. The Company's share-based compensation plans are described in more detail in Note 23, Share-based Compensation Plans.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed below, the Company does not believe that the impact of recently issued standards that are not yet effective will have a material impact on the Company's financial position or results of operations upon adoption.

Adopted during the current period

Inventory

In July 2015, the FASB issued new guidance which requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company adopted this standard as of January 1, 2017, which did not impact the Company's financial position or results of operations.

Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The new standard requires recognition of the income tax effects of vested or settled awards in the income statement and involves several other aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the Statements of Cash Flows and allows a one-time accounting policy election to account for forfeitures as they occur. The new standard was effective January 1, 2017.

The Company adopted ASU 2016-09 in the first quarter of 2017. Before adoption, excess tax benefits or deficiencies from the Company's equity awards were recorded as Additional paid-in capital in its Consolidated Balance Sheets. Upon adoption, the Company recorded any excess tax benefits or deficiencies from its equity awards in its Consolidated Statements of Operations in the reporting periods in which vesting or settlement occurs.

Amendments related to accounting for excess tax benefits have been adopted prospectively, resulting in recognition of excess tax benefits against Income taxes rather than Additional paid-in capital of \$11.5 million for the twelve months ended December 31, 2017.

As a result of the adoption, the Company recorded an adjustment to Retained earnings of \$39.0 million to recognize net operating loss carryforwards attributable to excess tax benefits on stock compensation that had not been previously recognized to Additional paid-in capital.

Excess tax benefits for share-based payments are now included in Net cash provided by operating activities rather than Net cash provided by financing activities. The changes have been applied prospectively in accordance with the ASU and prior periods have not been adjusted.

Upon adoption of ASU 2016-09, the Company elected to account for forfeitures in relation to service conditions as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment to Retained earnings of \$10.7 million as of January 1, 2017.

Definition of a Business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This new standard clarifies the definition of a business and provides guidance to determine when an integrated set of assets and activities is not a business. The Company adopted this standard prospectively on January 1, 2017.

To be adopted in future periods

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment. This new standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This standard will be effective for the Company as of January 1, 2020, with early adoption permitted for annual goodwill impairment tests performed after January 1, 2017. The Company does not expect the adoption of this standard to have a material impact on its financial position and results of operations.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The new standard also requires additional qualitative and quantitative disclosures.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018.

The FASB has subsequently issued five additional ASUs amending the guidance in Topic 606, each with the same effective date and transition date of January 1, 2018. This amended guidance has been considered in the Company's overall assessment of Topic 606.

Shire will adopt this standard on January 1, 2018, using the modified retrospective transition method. The Company has identified two primary revenue streams from contracts with customers as part of its assessment: 1) product sales and 2) licensing arrangements.

The Company completed its assessment of implementing the new standard. The adoption of the new standard will not have a material impact to revenue recognition related to product revenue or licensing arrangements. The impact of the adoption will be recorded as a cumulative effect adjustment in the Consolidated Statement of Changes in Equity upon adoption on January 1, 2018.

Financial Instrument Accounting

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new standard amends certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair values be measured at fair value with changes in fair value recognized in the results of operations. This standard will be effective for the Company as of January 1, 2018. The adoption of this guidance will not have a material impact on its financial position and results of operations.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new accounting guidance will require the recognition of all long-term lease assets and lease liabilities by lessees and sets forth new disclosure requirements for those lease assets and liabilities. The standard requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements. This standard will be effective for the Company as of January 1, 2019. Early adoption is permitted. The Company is currently evaluating the potential impact on its financial position and results of operations of adopting this guidance.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new standard clarifies certain aspects of the statement of cash flows, and aims to reduce diversity in practice regarding how certain transactions are classified in the statement of cash flows. This standard will be effective for the Company as of January 1, 2018. Early adoption is permitted. The adoption of this guidance will not have a material impact on the Company's Consolidated Statements of Cash Flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement. The guidance requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. This standard will be effective for the Company as of January 1, 2018. The adoption of this guidance will not have a material impact on the Company's Consolidated Statements of Cash Flows.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers Other than Inventory. This standard removes the current exception in U.S. GAAP prohibiting entities from recognizing current and deferred income tax expenses or benefits related to transfer of assets, other than inventory, within the consolidated entity. The current exception to defer the recognition of any tax impact on the transfer of inventory within the consolidated entity until it is sold to a third party remains unaffected. The Company will adopt the standard effective January 1, 2018 using a modified retrospective approach with a cumulative-effect adjustment to opening retained earnings in the first quarter of 2018. The adoption of this guidance will not have a material impact on its financial position and results of operations.

Retirement Benefits Income Statement Presentation

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The standard amends the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other postretirement plans. The standard requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the “other components”) and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. The standard also requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. This standard will be effective for the Company as of January 1, 2018. The adoption of this guidance will not have a material impact on its financial position and results of operations.

Share-Based Payment Accounting

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope Modification Accounting. The new standard clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. This standard will be effective for the Company as of January 1, 2018. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company’s financial position and results of operations.

Derivatives and Hedging

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The standard amends its hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. The new guidance also expands an entity’s ability to hedge non-financial and financial risk components and reduces complexity in fair value hedges of interest rate risk. Additionally, it eliminates the requirement to separately measure and report hedge ineffectiveness, eases certain assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. This standard will be effective for the Company as of January 1, 2019. Early adoption is permitted. The Company is currently evaluating the method of adoption and the potential impact on its financial position and results of operations of adopting this guidance.

3. Business Combinations

Acquisition of Baxalta

On June 3, 2016, Shire acquired all of the outstanding common stock of Baxalta for \$18.00 per share in cash and 0.1482 Shire American Depository Shares (ADSs) per Baxalta share, or if a former Baxalta shareholder properly elected, 0.4446 Shire ordinary shares per Baxalta share.

Baxalta was a global biopharmaceutical company that focused on developing, manufacturing and commercializing therapies for orphan diseases and underserved conditions in hematology, immunology and oncology.

The purchase price consideration for the acquisition of Baxalta was finalized in the second quarter of 2017. The fair value of the purchase price consideration consisted of the following:

(In millions)	<u>Fair value</u>
Cash paid to shareholders	\$12,366.7
Fair value of stock issued to shareholders	19,353.2
Fair value of partially vested stock options and RSUs assumed	508.8
Contingent consideration payable	<u>165.0</u>
Total purchase price consideration	<u>\$32,393.7</u>

The acquisition of Baxalta was accounted for as a business combination using the acquisition method of accounting. Shire issued 305.2 million shares to former Baxalta shareholders at the date of the acquisition. For a more detailed description of the fair value of the partially vested stock options and RSUs assumed, refer to Note 23, Share-based Compensation Plans, to the Consolidated Financial Statements set forth in this Annual Report on Form 10-K.

The assets acquired and the liabilities assumed from Baxalta have been recorded at their fair value as of June 3, 2016, the date of acquisition. The Company's Consolidated Financial Statements included the results of Baxalta from the date of acquisition. The amount of Baxalta's post-acquisition revenues included in the Company's Consolidated Statements of Operations for the year ended December 31, 2016 was \$4,011.6 million. After the closing of the acquisition, the Company began integrating Baxalta and as such the combined business is now sharing various research and development and selling, general and administrative functions. As a result, computing a separate measure of Baxalta's stand-alone profitability for periods after the acquisition date is not practical.

The purchase price allocation for the acquisition of Baxalta was finalized in the second quarter of 2017. The Company's allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date, including measurement period adjustments, is outlined below.

(In millions)	<u>Preliminary value as of acquisition date (as previously reported as of December 31, 2016)</u>	<u>Measurement period adjustments</u>	<u>Fair value</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 583.2	\$ —	\$ 583.2
Accounts receivable	1,069.7	(96.4)	973.3
Inventories	3,893.4	81.2	3,974.6
Other current assets	576.0	5.3	581.3
Total current assets	<u>6,122.3</u>	<u>(9.9)</u>	<u>6,112.4</u>
Property, plant and equipment	5,452.7	(46.5)	5,406.2
Investments	128.2	—	128.2
Goodwill	11,422.4	1,076.2	12,498.6
Intangible assets			
Currently marketed products	21,995.0	(830.0)	21,165.0
In-Process Research and Development (IPR&D)	730.0	(570.0)	160.0
Contract based arrangements	42.2	—	42.2
Other non-current assets	155.0	69.7	224.7
Total assets	<u>\$46,047.8</u>	<u>\$ (310.5)</u>	<u>\$45,737.3</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,321.9	\$ (2.7)	\$ 1,319.2
Other current liabilities	354.4	9.0	363.4
Long term borrowings and capital leases	5,424.9	—	5,424.9
Deferred tax liability	5,445.3	(315.0)	5,130.3
Other non-current liabilities	1,103.6	2.2	1,105.8
Total liabilities	<u>\$13,650.1</u>	<u>\$ (306.5)</u>	<u>\$13,343.6</u>
Fair value of identifiable assets acquired and liabilities assumed	<u>\$32,397.7</u>	<u>\$ (4.0)</u>	<u>\$32,393.7</u>
Consideration			
Fair value of purchase consideration	<u>\$32,397.7</u>	<u>\$ (4.0)</u>	<u>\$32,393.7</u>

The measurement period adjustments for Intangible assets reflect changes in the estimated fair value of currently marketed products and IPR&D. Changes are mainly related to finalizing the unit of account judgments and other changes in estimates including Cost of sales allocation and royalty expense. The measurement period adjustments for Inventory primarily reflect refinements in the estimated selling price of inventory. The changes in the estimated fair values primarily are to more accurately reflect market participant assumptions about facts and circumstances existing as of the acquisition date. The measurement period adjustments did not result from intervening events subsequent to the acquisition date.

As a result of measurement period adjustments related to the change in fair value of currently marketed products and inventory, a charge of \$85.2 million was recognized in Cost of sales and a benefit of \$23.3 million was recognized in Amortization of acquired intangible assets, respectively, in the Company's Consolidated Statements of Operations. These adjustments would have been recorded during the year ended December 31, 2016 if these adjustments had been recognized as of the acquisition date.

Intangible assets

The fair value of the identifiable intangible assets has been estimated using an income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the incremental after tax cash flows an asset would generate over its remaining useful life. The useful lives for currently marketed products were determined based upon the remaining useful economic lives of the assets that are expected to contribute to future cash flows.

Currently marketed products totaling \$21,165.0 million relate to intellectual property (IP) rights acquired for Baxalta's currently marketed products. The estimated useful life of the intangible assets related to currently marketed products range from 6 to 23 years (weighted average 21 years), with amortization being recorded on a straight-line basis.

IPR&D intangible assets totaling \$160.0 million represent the value assigned to research and development (R&D) projects acquired. The IPR&D intangible assets are capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, the Company will make a separate determination of the estimated useful life of the IPR&D intangible asset and the related amortization will be recorded as an expense over the estimated useful life.

Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, R&D costs, selling and marketing costs, working capital/asset contributory asset charges and other cash flow assumptions), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream as well as other factors.

The discount rate used to arrive at the present value at the acquisition date of the IPR&D intangible assets was 9.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

Goodwill

Goodwill of \$12,498.6 million, which is not deductible for tax purposes, includes the expected synergies that will result from combining the operations of Baxalta with Shire, intangible assets that do not qualify for separate recognition at the time of the acquisition, the value of the assembled workforce, and impacted by establishing a deferred tax liability for the acquired identifiable intangible assets which have no tax basis.

Contingent consideration

The Company acquired certain contingent obligations classified as contingent consideration related to Baxalta's historical business combinations. Additional consideration is conditionally due upon the achievement of certain milestones related to the development, regulatory, first commercial sale and other sales milestones, which could total up to approximately \$1.5 billion. The Company may also pay royalties based on certain product sales. The Company estimated the fair value of the assumed contingent consideration to be \$165.0 million using a probability weighting approach that considered the possible outcomes based on assumptions related to the timing and probability of the product launch date, discount rates matched to the timing of first payment and probability of success rates and discount adjustments on the related cash flows.

Inventory

The estimated fair value of work-in-process and finished goods inventory was determined utilizing the net realizable value, based on the expected selling price of the inventory, adjusted for incremental costs to

complete the manufacturing process and for direct selling efforts, as well as for a reasonable profit allowance. The estimated fair value of raw material inventory was valued at replacement cost, which is equal to the value a market participant would pay to acquire the inventory.

The fair value adjustment related to inventory is expensed based on the expected product-specific inventory utilization, which is reviewed on a periodic basis and is recorded within Cost of sales in the Company's Consolidated Statements of Operations.

Retirement plans

The Company assumed pension plans as part of the acquisition of Baxalta, including defined benefit and post-retirement benefit plans in the U.S. and foreign jurisdictions, which had a net liability balance of \$610.4 million. As of June 3, 2016, the Baxalta defined benefit pension plans had assets with a fair value of \$358.5 million.

Integration and acquisition costs

In the year ended December 31, 2017, the Company expensed \$763.9 million relating to the acquisition and integration of Baxalta, which have been recorded within Integration and acquisition costs in the Company's Consolidated Statements of Operations. Refer to Note 5, Integration and Acquisition Costs, for further information regarding the Company's Integration and acquisition costs for the year ended December 31, 2017.

Supplemental disclosure of pro forma information

The following unaudited pro forma financial information presents the combined results of the operations of Shire and Baxalta as if the acquisition of Baxalta had occurred as of January 1, 2015. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations actually would have been had the respective acquisition been completed on January 1, 2015. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined Company.

<u>(In millions, except per share amounts)</u>	<u>Year ended December 31, 2016</u>
Revenues	\$13,999.6
Net income from continuing operations	<u>2,213.6</u>
Per share amounts:	
Net income from continuing operations per share - basic	\$ 2.87
Net income from continuing operations per share - diluted	<u>\$ 2.85</u>

The unaudited pro forma financial information above reflects the following pro forma adjustments:

- (i) an adjustment to increase net income for the year ended December 31, 2016 by \$678.9 million to eliminate integration and acquisition related costs incurred by Shire and Baxalta;
- (ii) an adjustment to increase net income for the year ended December 31, 2016 by \$847.9 million to reflect the expense related to the unwind of inventory fair value adjustments as inventory is sold;
- (iii) an adjustment to increase amortization expense for the year ended December 31, 2016 by \$304.0 million related to the identifiable intangible assets acquired; and
- (iv) an adjustment to decrease net income for the year ended December 31, 2016 by \$42.5 million, primarily related to the additional interest expense associated with the debt incurred to partially fund the acquisition of Baxalta and the amortization of related deferred debt issuance costs.

The adjustments above are stated net of their tax effects, where applicable.

Acquisition of Dyax

On January 22, 2016, Shire acquired all of the outstanding common stock of Dyax for \$37.30 per share in cash. Under the terms of the merger agreement, former Dyax shareholders may receive additional value through a non-tradable contingent value right worth \$4.00 per share, payable upon U.S. Food and Drug Administration (FDA) approval of SHP643 (formerly DX-2930) in Hereditary Angioedema (HAE).

Dyax was a publicly-traded, Massachusetts-based rare disease biopharmaceutical company primarily focused on the development of plasma kallikrein (pKal) inhibitors for the treatment of HAE. Dyax's most advanced clinical program was SHP643, a Phase 3 program with the potential for improved efficacy and convenience for HAE patients. SHP643 has received Fast Track, Breakthrough Therapy, and Orphan Drug Designations by the FDA and has also received Orphan Drug status in the EU. Dyax's sole marketed product, KALBITOR, is a pKal inhibitor for the treatment of acute attacks of HAE in patients 12 years of age and older.

The acquisition of Dyax was accounted for as a business combination using the acquisition method. The acquisition-date fair value consideration was \$6,330.0 million, comprising cash paid on closing of \$5,934.0 million and the fair value of the contingent value right of \$396.0 million (maximum payable \$646.0 million). The assets acquired and the liabilities assumed from Dyax have been recorded at their fair value as of January 22, 2016, the date of acquisition. The Company's Consolidated Financial Statements include the results of Dyax as of January 22, 2016. The amount of Dyax's post-acquisition revenues included in the Company's Consolidated Statements of Operations for the year ended December 31, 2016 is \$77.1 million. After the closing of the acquisition, the Company began integrating Dyax and as such the combined business is now sharing various research and development and selling, general and administrative functions. As a result, computing a separate measure of Dyax's stand-alone profitability for periods after the acquisition date is not practical.

The purchase price allocation for the acquisition of Dyax was finalized in the first quarter of 2017. The allocation of the total purchase price is outlined below.

<u>(In millions)</u>	<u>Fair value</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 241.2
Accounts receivable	22.5
Inventories	20.2
Other current assets	8.1
Total current assets	292.0
Property, plant and equipment	5.8
Goodwill	2,702.1
Intangible assets	
Currently marketed projects	135.0
IPR&D	4,100.0
Contract based royalty arrangements	425.0
Other non-current assets	28.6
Total assets	<u>\$7,688.5</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 30.0
Other current liabilities	1.7
Deferred tax liability	1,325.4
Other non-current liabilities	1.4
Total liabilities	<u>\$1,358.5</u>
Fair value of identifiable assets acquired and liabilities assumed	<u>\$6,330.0</u>
Consideration	
Fair value of purchase consideration	<u>\$6,330.0</u>

Currently marketed products

Currently marketed products totaling \$135.0 million relate to intellectual property rights acquired for KALBITOR. The fair value of the currently marketed product has been estimated using an income approach, based on the present value of incremental after tax cash flows attributable to KALBITOR.

The estimated useful life of the KALBITOR intangible asset is 18 years, with amortization being recorded on a straight-line basis.

IPR&D

The IPR&D asset of \$4,100.0 million relates to Dyax's clinical program SHP643, a Phase 3 program with the potential for improved efficacy and convenience for HAE patients. The IPR&D intangible asset is capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. The fair value of this IPR&D asset was estimated based on an income approach, using the present value of incremental after tax cash flows expected to be generated by this development project. The estimated cash flows have been probability adjusted to take into account the development stage of completion and the remaining risks and uncertainties surrounding the future development and commercialization.

The estimated probability adjusted after tax cash flows used to estimate the fair value of intangible assets have been discounted at 9%.

Royalty rights

Intangible assets totaling \$425.0 million relate to royalty rights arising from licensing agreements of a portfolio of product candidates. This portfolio includes two approved products, marketed by Eli Lilly & Company, and various development-stage products. Multiple product candidates with other pharmaceutical companies are in various stages of clinical development for which the Company is eligible to receive future royalties and/or milestone payments.

The fair value of these royalty rights has been estimated using an income approach, based on the present value of incremental after-tax cash flows attributable to each royalty right.

The estimated useful lives of these royalty rights range from seven to nine years (weighted average eight years), with amortization being recorded on a straight-line basis.

Goodwill

Goodwill of \$2,702.1 million, which is not deductible for tax purposes, includes the expected synergies that will result from combining the operations of Dyax with Shire; intangible assets that do not qualify for separate recognition at the time of the acquisition; the value of the assembled workforce; and impacted by establishing a deferred tax liability for the acquired identifiable intangible assets which have no tax basis.

Supplemental disclosure of pro forma information

The following unaudited pro forma financial information presents the combined results of the operations of Shire and Dyax as if the acquisitions of Dyax had occurred as of January 1, 2015. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations actually would have been had the respective acquisition been completed at the date indicated. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined Company.

<u>(In millions, except per share amounts)</u>	<u>Year ended December 31, 2016</u>
Revenues	\$11,402.5
Net income from continuing operations	<u>792.2</u>
Per share amounts:	
Net income from continuing operations per share - basic	\$ 1.03
Net income from continuing operations per share - diluted	<u>\$ 1.02</u>

The unaudited pro forma financial information above reflects the following pro forma adjustments:

- (i) an adjustment to increase net income for the year ended December 31, 2016 by \$111.1 million to eliminate acquisition related costs incurred by Shire and Dyax and
- (ii) an adjustment to increase amortization expense for the year ended December 31, 2016 by \$1.3 million related to the identifiable intangible assets acquired.

The adjustments above are stated net of their tax effects, where applicable.

4. Collaborative and Other Licensing Arrangements

The Company is party to certain collaborative and licensing arrangements. In some of these arrangements, Shire and the licensee are both actively involved in the development and commercialization of the licensed product and have exposure to risks and rewards dependent on its commercial success.

Out-licensing arrangements

The Company has entered into various licensing arrangements where it has licensed certain product or intellectual property rights for consideration such as up-front payments, development milestones, sales milestones and/or royalty payments. Under the terms of these licensing arrangements, the Company may receive development milestone payments up to an aggregate amount of \$10.3 million and sales milestones up to an aggregate amount of \$91.0 million. The receipt of these substantive milestones is uncertain and contingent on the achievement of certain development milestones or the achievement of a specified level of annual net sales by the licensee. During the years ended 2017 and 2016, the Company received cash related to up-front and milestone payments of \$9.1 million and \$10.5 million, respectively. During the years ended 2017, 2016 and 2015, the Company recognized milestone income of \$82.5 million, \$17.4 million and \$8.9 million, respectively, in other revenues, and \$34.6 million, \$63.0 million and \$51.0 million, respectively, in product sales for shipment of product to the relevant licensee.

Collaboration and in-licensing arrangements

The Company is party to various collaborative and in-licensing arrangements. These agreements generally provide for commercialization rights to a product or products being developed by the counterparty, and in exchange often resulted in an upfront payment upon execution of the agreement and an obligation that the Company make future development, regulatory approval or commercial milestone payments as well as royalty payments. Under the terms of these licensing arrangements, the Company made an initial \$47.5 million, \$110.0 million and \$nil upfront license payment and milestone payments during the years ended 2017, 2016 and 2015, respectively, which were included in Research and development expense in the Company's Consolidated Statements of Operations. As of the December 31, 2017, the Company had the potential to make future payments related to option fees and development, regulatory and commercialization milestones totaling up to \$5.5 billion, excluding potential future royalty payments.

The following is a description of the Company's significant collaboration agreements, including those that were acquired by the Company. The acquisition-date fair value of the collaboration agreements acquired from Baxalta was included in the IPR&D.

Rani Therapeutics LLC

In December 2017, Shire entered into a collaboration agreement with Rani Therapeutics, LLC (Rani) to conduct research on the use of the RANI PILL technology for oral delivery of Factor VIII (FVIII) therapy for patients with hemophilia A. The collaboration agreement grants Shire an exclusive option to negotiate a license to develop and commercialize the technology for delivery of FVIII therapy following completion of feasibility studies. Shire also made an equity investment in Rani.

Novimmune S.A.

In July 2017, Shire entered into a licensing agreement with Novimmune S.A. (Novimmune). The license grants Shire exclusive worldwide rights to develop and commercialize a bi-specific antibody in pre-clinical development for the treatment of hemophilia A and hemophilia A patients with inhibitors. Under the terms of the agreement, Shire will develop, and if approved, commercialize the product. Shire made an initial upfront license payment. Novimmune will be entitled to receive additional potential milestone payments based on clinical, regulatory and commercial milestones and single-digit royalties.

Parion Sciences Inc.

In May 2017, Shire entered into an agreement to license the exclusive worldwide rights to SHP659 (formerly known as P-321) from Parion Sciences Inc. (Parion). SHP659 is a Phase 2 investigational epithelial sodium channel inhibitor for the potential treatment of dry eye disease in adults. Under the terms of the agreement, Shire will develop, and if approved, commercialize this compound. Shire made an initial upfront license payment. Parion will be entitled to receive additional potential milestone payments based on clinical, regulatory and commercial milestones and Parion has the option to co-fund through additional stages of development in exchange for enhanced tiered low double-digit royalties. In addition, Parion has the option to co-fund commercialization activities and participate in the financial outcome from those activities.

Pfizer Inc.

In July 2016, the Company licensed the global rights to all indications for SHP647 from Pfizer Inc. (Pfizer) SHP647 is an investigational biologic being evaluated for the treatment of moderate-to-severe inflammatory bowel disease. Under the terms of the agreement, Pfizer received an upfront payment and eligible to receive milestone payments based on clinical, regulatory and commercialization milestones and low double-digit royalties on any potential sales if the product is approved.

Precision BioSciences Inc.

In June 2016, the Company acquired a strategic immuno-oncology collaboration with Precision BioSciences Inc. (Precision). The Company acquired the collaboration through the acquisition of Baxalta. Together, Shire and Precision will develop chimeric antigen receptor (CAR) T cell therapies for up to six unique targets. On a product-by-product basis, following successful completion of early-stage research activities up to and including Phase 2 clinical trials, Shire will have exclusive option rights to complete late-stage development and worldwide commercialization. Precision is responsible for development costs for each target prior to option exercise. Precision also has the right to participate in the development and commercialization of any licensed products resulting from the collaboration through a 50/50 co-development and co-promotion option in the United States. Precision is eligible to receive option fees and milestone payments based on development, regulatory and commercialization milestones, in addition to future royalty payments.

Symphogen

In June 2016, the Company acquired a research, option and commercial agreement with Symphogen. The Company acquired the agreement through the acquisition of Baxalta. Under the terms of the agreement, Shire and Symphogen plan to develop checkpoint inhibitor therapies for up to six unique targets. On a product-by-product basis, following successful completion of early-stage research activities up to and including Phase 1 clinical trials, Shire will have exclusive option rights to complete late-stage development and worldwide commercialization. Symphogen is responsible for development costs for each target prior to such option exercise. Symphogen is eligible to receive milestone payments based on development, regulatory and commercialization milestones achieved after option exercise for all six proteins and future royalty payments.

Ipsen Bioscience Inc.

In June 2016, the Company acquired an exclusive license agreement with Ipsen Bioscience Inc.'s predecessor, Merrimack Pharmaceuticals, Inc. (Merrimack) relating to the development and commercialization of ONIVYDE (nanoliposomal irinotecan injection) (nal-IRI). The Company acquired the agreement through the acquisition of Baxalta. The arrangement includes all potential indications for nal-IRI across all markets with the exception of the U.S. and Taiwan. The first indication being pursued is for the treatment of patients with metastatic pancreatic cancer who were previously treated with gemcitabine-based therapy. Ipsen is eligible to receive milestone payments related to development, regulatory and commercialization milestones.

5. Integration and Acquisition Costs

For the year ended December 31, 2017, Shire recorded Integration and acquisition costs of \$894.5 million, primarily due to the acquisition and integration of Baxalta. A charge of \$120.7 million relating to the change in fair value of contingent consideration payable is included in these costs.

The Company entered its second phase of integration activities during 2017. The costs associated with this phase primarily related to headcount reduction as the Company advanced and completed certain activities related to exiting transition services agreements (TSA) with Baxter, integrating legal entities and rationalization of the Company's manufacturing facilities. For further details on existing agreements with Baxter, refer to Note 28, Agreements and Transactions with Baxter, of these Consolidated Financial Statements. The Company also drove savings through the continued prioritization of its research and development programs and continued consolidation of its commercial operations. The integration of Baxalta is estimated to be completed by mid to late 2019.

The Baxalta integration and acquisition costs include \$211.6 million of employee severance and acceleration of stock compensation, \$140.3 million of third-party professional fees, \$89.9 million of expenses associated with facility consolidations and \$231.7 million of asset impairments for the year ended December 31, 2017. The Company expects the majority of these expenses, except for certain costs related to facility consolidations, to be paid within 12 months from the date the related expenses were incurred.

The following table summarizes the type and amount of cost recorded and the related reserve for the years ended December 31, 2017 and 2016:

<u>(In millions)</u>	<u>Severance and employee benefits</u>	<u>Lease terminations</u>	<u>Total</u>
As of January 1, 2016	\$ —	\$ —	\$ —
Amount charged to integration costs	267.3	—	267.3
Paid/utilized	<u>(193.3)</u>	<u>—</u>	<u>(193.3)</u>
As of December 31, 2016	\$ 74.0	\$ —	\$ 74.0
Amount charged to integration costs	175.2	72.7	247.9
Paid/utilized	<u>(176.3)</u>	<u>(16.1)</u>	<u>(192.4)</u>
As of December 31, 2017	<u>\$ 72.9</u>	<u>\$ 56.6</u>	<u>\$ 129.5</u>

For the year ended December 31, 2016, Shire recorded Integration and acquisition costs of \$883.9 million primarily related to the acquisition and integration of Dyax and Baxalta. These costs primarily consist of \$463.4 million of employee severance and acceleration of stock compensation, \$378.7 million of third-party professional fees, \$58.1 million of contract terminations and a credit of \$11.1 million relating to the change in fair value of contingent consideration.

For the year ended December 31, 2015, Shire recorded net integration and acquisition costs of \$39.8 million. The net integration and acquisition costs principally comprises costs related to the acquisition and integration of NPS Pharma, Viropharma, Dyax and Baxalta of \$189.7 million, offset by a net credit relating to the change in the fair value of contingent consideration liabilities of \$149.9 million. This net credit principally relates to the acquisition of Lumena, reflecting the agreement in the third quarter of 2015 to settle all future contingent milestones payable to former Lumena shareholders for a one-time cash payment of \$90.0 million and the acquisition of Lotus Tissue Repair, Inc. reflecting a lower probability of success for the SHP608 asset (for the treatment of Dystrophic Epidermolysis Bullosa (DEB)) as a result of certain preclinical toxicity findings.

6. Reorganization Costs

The Company incurred Reorganization costs totaling \$47.9 million during the year ended December 31, 2017. The costs primarily related to the planned closure of certain facilities and associated costs of \$28.1 million

and employee termination and other costs of \$10.6 million. As of December 31, 2017, cash payments associated with these costs were not significant. Other restructuring charges recorded, which were not significant, during the year ended December 31, 2017 relate to professional and consulting fees.

The Company incurred reorganization costs totaling \$121.4 million during the year ended December 31, 2016. The costs primarily related to the planned closure of certain manufacturing facilities and associated asset impairments of \$77.4 million and employee termination and other costs of \$16.2 million. As of December 31, 2016, cash payments associated with these costs were not significant. Other restructuring charges recorded, which were not significant for the year ended December 31, 2016, relate to the closure of other offices and the related employee relocation.

In October 2014, the Company announced its plans to relocate positions to Lexington, Massachusetts from its Chesterbrook, Pennsylvania site and establish Lexington as the Company's U.S. operational headquarters in continuation of the One Shire efficiency program. During 2015, the Company incurred reorganization costs totaling \$97.9 million, primarily related to employee involuntary termination benefits and other reorganization costs primarily related to the Company's One Shire business reorganization. The One Shire reorganization was substantially completed as of December 31, 2015.

7. Results of Discontinued Operations

Following the divestment of the Company's DERMAGRAFT business in January 2014, the operating results associated with the DERMAGRAFT business have been classified as discontinued operations in the Company's Consolidated Statements of Operations for all periods presented.

During the year ended December 31, 2017, the Company recorded a gain of \$18.0 million (net of tax of \$8.9 million), primarily related to legal contingencies related to the divested DERMAGRAFT business and the release of escrow to Shire.

In January 2017, Shire entered into a final settlement agreement with the Department of Justice (DOJ) in the amount of \$350.0 million, plus interest which was accrued in 2016 and paid during 2017.

After the civil settlement with the DOJ was finalized, Shire and Advanced BioHealing Inc.'s (ABH) equity holders entered into a settlement agreement and ABH's equity holders released the \$37.5 million escrow to Shire. Shire released the claims against ABH equity holders upon receiving the entire amount held in escrow.

During the year ended December 31, 2016, the Company recorded a loss of \$276.1 million (net of tax benefit of \$98.8 million), primarily related to legal contingencies related to the divested DERMAGRAFT business.

During the year ended December 31, 2015, the Company recorded a loss from discontinued operations of \$34.1 million (net of tax benefit of \$18.9 million), primarily relating to a change in estimate in relation to reserves for onerous leases retained by the Company.

8. Accounts Receivable, Net

Accounts receivable as of December 31, 2017 of \$3,009.8 million (December 31, 2016: \$2,616.5 million), are stated at the invoiced amount and net of reserve for discounts and doubtful accounts of \$271.5 million (December 31, 2016: \$169.6 million).

Reserve for discounts and doubtful accounts:

<u>(In millions)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
As of January 1,	\$ 169.6	\$ 55.8	\$ 48.5
Provision charged to operations	1,408.1	838.1	424.2
Payments/credits	<u>(1,306.2)</u>	<u>(724.3)</u>	<u>(416.9)</u>
As of December 31,	<u>\$ 271.5</u>	<u>\$ 169.6</u>	<u>\$ 55.8</u>

As of December 31, 2017, accounts receivable included \$106.6 million (December 31, 2016: \$102.2 million) related to royalties receivable.

9. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories comprise:

<u>(In millions)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Finished goods	\$ 926.1	\$1,380.0
Work-in-progress	1,574.0	1,491.0
Raw materials	<u>791.4</u>	<u>691.3</u>
	<u>\$3,291.5</u>	<u>\$3,562.3</u>

For a more detailed description of inventories acquired, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

10. Prepaid Expenses and Other Current Assets

Components of prepaid expenses and other current assets are summarized as follows:

<u>(In millions)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Prepaid expenses	\$242.6	\$183.9
Income tax receivable	179.9	237.5
Value added taxes receivable	59.8	40.3
Other current assets	<u>313.0</u>	<u>344.6</u>
	<u>\$795.3</u>	<u>\$806.3</u>

11. Property, Plant and Equipment, Net

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Components of Property, plant and equipment, net are summarized as follows:

<u>(In millions)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land	\$ 332.3	\$ 337.9
Buildings and leasehold improvements	1,940.7	1,915.4
Machinery, equipment and other	3,106.3	2,547.2
Assets under construction	<u>2,568.2</u>	<u>2,632.5</u>
Total property, plant and equipment at cost	7,947.5	7,433.0
Less: Accumulated depreciation	<u>(1,312.1)</u>	<u>(963.4)</u>
Property, plant and equipment, net	<u>\$ 6,635.4</u>	<u>\$6,469.6</u>

Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was \$495.8 million, \$292.9 million and \$138.5 million, respectively.

During 2017, the Company determined it would divest certain facilities as part of its integration efforts. As of December 31, 2017, the Company classified \$19.2 million of assets as held for sale, which were reported in Prepaid expenses and other current assets. The \$19.2 million of held for sale assets was net of \$27.7 million of impairment charges recorded during 2017 and consisted primarily of property, plant and equipment. The impairment charges were reported in Integration and acquisition costs.

The Company also completed the sales of certain assets during 2017 that were previously classified as held for sale for total cash proceeds of \$34.6 million. Prior to the sales, the Company recorded held for sale impairment charges of \$44.1 million on those assets in 2017, which were also reported in Integration and acquisition costs.

12. Intangible assets

The following table summarizes the Company's intangible assets:

<u>(In millions)</u>	<u>Currently marketed products</u>	<u>IPR&D</u>	<u>Other intangible assets</u>	<u>Total</u>
December 31, 2017				
Gross acquired intangible assets	\$31,973.5	\$5,113.9	\$ 835.9	\$37,923.3
Accumulated amortization	(4,549.2)	—	(328.0)	(4,877.2)
Intangible assets, net	<u>\$27,424.3</u>	<u>\$5,113.9</u>	<u>\$ 507.9</u>	<u>\$33,046.1</u>
December 31, 2016				
Gross acquired intangible assets	\$31,217.5	\$5,746.6	\$ 842.2	\$37,806.3
Accumulated amortization	(2,908.6)	—	(200.2)	(3,108.8)
Intangible assets, net	<u>\$28,308.9</u>	<u>\$5,746.6</u>	<u>\$ 642.0</u>	<u>\$34,697.5</u>

Other intangible assets are comprised primarily of royalty rights and other contract rights associated with Baxalta, Dyax and NPS.

The change in the net book value of intangible assets for the years ended December 31, 2017 and 2016 is shown in the table below:

<u>(In millions)</u>	<u>2017</u>	<u>2016</u>
As of January 1,	\$34,697.5	\$ 9,173.3
Acquisitions	(1,385.0)	27,462.8
Amortization charged	(1,768.4)	(1,173.4)
Impairment charges	(20.0)	(8.9)
Foreign currency translation	1,522.0	(756.3)
As of December 31,	<u>\$33,046.1</u>	<u>\$34,697.5</u>

The decrease in Intangible assets, net during the year ended December 31, 2017 relates to the measurement period adjustments of the acquisition of Baxalta and amortization of intangible assets. For a more detailed description of measurement period adjustments, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

In connection with the acquisition of Baxalta, the Company acquired IP rights related to currently marketed products of \$21,165.0 million, IPR&D assets of \$160.0 million and other contract rights of \$42.2 million. For a more detailed description of this acquisition, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

In connection with the acquisition of Dyax on January 22, 2016, the Company acquired IP rights related to currently marketed products of \$135.0 million, IPR&D assets of \$4,100.0 million and royalty rights of \$425.0 million. For a more detailed description of this acquisition, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

Estimated amortization expense can be affected by various factors including future acquisitions, disposals of product rights, regulatory approval and subsequent amortization of acquired IPR&D projects, foreign exchange movements and the technological advancement and regulatory approval of competitor products. The estimated future amortization of acquired intangible assets for the next five years is expected to be as follows:

<u>(In millions)</u>	<u>Anticipated future amortization</u>
2018	\$1,891.6
2019	1,668.4
2020	1,570.3
2021	1,536.7
2022	<u>1,511.0</u>

13. Goodwill

The following table provides a roll-forward of the Goodwill balance:

<u>(In millions)</u>	<u>2017</u>	<u>2016</u>
As of January 1,	\$17,888.2	\$ 4,147.8
Acquisitions	1,076.2	14,124.5
Foreign currency translation and other	<u>867.3</u>	<u>(384.1)</u>
As of December 31,	<u>\$19,831.7</u>	<u>\$17,888.2</u>

The increase in Goodwill during the year ended December 31, 2017 related to the measurement period adjustments of the acquisition of Baxalta. For a more detailed description of measurement period adjustments, refer to Note 3, Business Combinations, to these Consolidated Financial Statements.

14. Fair Value Measurement

Assets and liabilities that are measured at fair value on a recurring basis

As of December 31, 2017 and December 31, 2016, the following financial assets and liabilities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

(In millions)	Fair value			
	Total	Level 1	Level 2	Level 3
As of December 31, 2017				
Financial assets:				
Marketable equity securities	\$ 89.7	\$89.7	\$ —	\$ —
Marketable debt securities	17.9	3.8	14.1	—
Derivative instruments	17.9	—	17.9	—
Total assets	\$ 125.5	\$93.5	\$32.0	\$ —
Financial liabilities:				
Joint venture net written option	\$ 40.0	\$ —	\$ —	\$ 40.0
Derivative instruments	14.2	—	14.2	—
Contingent consideration payable	1,168.2	—	—	1,168.2
Total liabilities	\$1,222.4	\$ —	\$14.2	\$1,208.2

(In millions)	Fair value			
	Total	Level 1	Level 2	Level 3
As of December 31, 2016				
Financial assets:				
Marketable equity securities	\$ 65.8	\$65.8	\$ —	\$ —
Marketable debt securities	15.5	3.6	11.9	—
Derivative instruments	18.0	—	18.0	—
Total assets	\$ 99.3	\$69.4	\$29.9	\$ —
Financial liabilities:				
Derivative instruments	\$ 8.3	\$ —	\$ 8.3	\$ —
Contingent consideration payable	1,058.0	—	—	1,058.0
Total liabilities	\$1,066.3	\$ —	\$ 8.3	\$1,058.0

Marketable equity and debt securities are included within Investments in the Consolidated Balance Sheets. Contingent consideration payable is included within Other current liabilities and Other non-current liabilities in the Consolidated Balance Sheets. For information regarding the Company's derivative arrangements, refer to Note 15, Financial Instruments, to these Consolidated Financial Statements.

Certain estimates and judgments were required to develop the fair value amounts. The estimated fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- Marketable equity securities: the fair values of marketable equity securities are estimated based on quoted market prices for those investments.
- Marketable debt securities: the fair values of debt securities are obtained from pricing services or broker/dealers who either use quoted prices in an active market or proprietary pricing applications, which include observable market information for like or same securities.

- Derivative instruments: the fair values of the swap and forward foreign exchange contracts have been determined using the month-end interest rate and foreign exchange rates, respectively.
- Joint venture net written option and contingent consideration payable: the fair value of the contingent consideration payable has been estimated using the income approach (using a probability weighted discounted cash flow method).

There were no changes in valuation techniques or inputs utilized or transfers between fair value measurement levels during the years ended December 31, 2017 and 2016.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Contingent consideration payable

<u>(In millions)</u>	<u>2017</u>	<u>2016</u>
Balance as of January 1,	\$1,058.0	\$ 475.9
Acquisitions	(4.0)	565.4
Change in fair value included in earnings	120.7	11.1
Other	<u>(6.5)</u>	<u>5.6</u>
Balance as of December 31,	<u>\$1,168.2</u>	<u>\$1,058.0</u>

In 2017, the increase in contingent consideration payable was primarily related to the Company's change in fair value of contingent consideration resulting from positive topline data for SHP643. In 2016, the increase in contingent consideration payable was related to the Company's acquisition of Dyax and Baxalta. Other contingent consideration payable primarily relates to foreign currency adjustments.

Of the \$1,168.2 million of contingent consideration payable as of December 31, 2017, \$626.8 million is recorded within Other current liabilities and \$541.4 million is recorded within Other non-current liabilities in the Company's Consolidated Balance Sheets.

Joint venture net written option

In March 2017, Shire executed option agreements related to a joint venture that provides Shire with a call option on the partner's investment in joint venture equity and the partner with a put option on its investment in joint venture equity. The Company had a liability of \$40.0 million for the net written option based on the estimated fair value of these options as of December 31, 2017 and the Company re-measures the instrument to fair value through the Consolidated Statements of Operations.

Quantitative Information about Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Financial liabilities:

As of December 31, 2017

(In millions, except %)	Fair value as of the measurement date			
	Fair value	Valuation technique	Significant unobservable inputs	Range
Contingent consideration payable	\$1,168.2	Income approach (probability weighted discounted cash flow)	<ul style="list-style-type: none"> Cumulative probability of milestones being achieved Assumed market participant discount rate Periods in which milestones are expected to be achieved Forecast quarterly royalties payable on net sales of relevant products 	<ul style="list-style-type: none"> 21.9 to 90% 1.8 to 8.7% 2018 to 2040 \$0.1 to \$6.5 million

Contingent consideration payable represents future milestones and royalties the Company may be required to pay in conjunction with various business combinations and license agreements. The fair value of the Company's contingent consideration payable could significantly increase or decrease due to changes in certain assumptions which underpin the fair value measurements. Each set of assumptions is specific to the individual contingent consideration payable.

Financial liabilities:

As of December 31, 2017

(In millions, except %)	Fair value as of the measurement date			
	Fair value	Valuation technique	Significant unobservable inputs	Range
Joint venture net written option	\$40.0	Income approach (probability weighted discounted cash flow)	<ul style="list-style-type: none"> Cash flow scenario probability weighting Assumed market participant discount rate 	<ul style="list-style-type: none"> 0 to 80% 16%

Financial assets and liabilities that are disclosed at fair value

The carrying amounts and estimated fair values as of December 31, 2017 and December 31, 2016 of the Company's financial assets and liabilities that are not measured at fair value on a recurring basis are as follows:

(In millions)	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
SAIIDAC notes	\$12,050.2	\$11,913.7	\$12,039.2	\$11,633.8
Baxalta notes	5,057.7	5,229.9	5,063.6	5,066.5
Capital lease obligation	349.2	349.2	353.6	353.6

The estimated fair values of long-term debt were based upon recent observable market prices and are considered Level 2 in the fair value hierarchy. The estimated fair value of capital lease obligations is based on Level 2 inputs.

The carrying amounts of other financial assets and liabilities approximate their estimated fair value due to their short-term nature, such as liquidity and maturity of these amounts, or because there have been no significant changes since the asset or liability was last re-measured to fair value on a non-recurring basis.

15. Financial Instruments

Foreign Currency Contracts

Due to the global nature of its operations, portions of the Company's revenues and operating expenses are recorded in currencies other than the U.S. dollar. The value of revenues and operating expenses measured in U.S. dollars is therefore subject to changes in foreign currency exchange rates. The main trading currencies of the Company are the U.S. dollar, Euro, British pound sterling, Swiss franc, Canadian dollar and Japanese yen.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. It is the Company's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency. Where significant exposures remain, the Company uses foreign exchange contracts (spot, forward and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary.

The Company has master netting agreements with a number of counterparties to these foreign exchange contracts and on the occurrence of specified events, the Company has the ability to terminate contracts and settle them with a net payment by one party to the other. The Company has elected to present derivative assets and derivative liabilities on a gross basis in the Consolidated Balance Sheet. The Company does not have credit risk related contingent features or collateral linked to the derivatives.

Designated Foreign Currency Derivatives

Certain foreign currency forward contracts were designated as cash flow hedges and accordingly, to the extent effective, any unrealized gains or losses on these foreign currency forward contracts were reported in AOCI. Realized gains and losses for the effective portion of such contracts were recognized in revenue or cost of sales when the sale of product in the currency being hedged was recognized. To the extent ineffective, hedge transaction gains and losses were reported in Other income/(expense), net.

The Company did not have any designated foreign currency contracts as of December 31, 2017. As of December 31, 2016, the Company had designated foreign currency forward contracts with a total notional value of \$78.7 million with a maximum duration of six months; the fair value of these contracts was a net asset of \$4.2 million.

Undesignated Foreign Currency Derivatives

The Company uses forward contracts to mitigate the foreign currency risk related to certain balance sheet positions, including intercompany and third-party receivables and payables. The Company has not elected hedge accounting for these derivative instruments as the duration of these contracts is typically three months or less. The changes in fair value of these derivatives are reported in earnings.

The table below presents the notional amount, maximum duration and fair value for the undesignated foreign currency derivatives:

<u>(In millions, except duration)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notional amount	\$ 1,672.3	\$ 1,309.1
Maximum duration (in months)	3 months	3 months
Fair value - net asset	<u>\$ 11.4</u>	<u>\$ 6.7</u>

The Company considers the impact of its and its counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its contractual obligations. As of December 31, 2017, credit risk did not materially change the fair value of the Company's foreign currency contracts.

Interest Rate Contracts

The Company is exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in benchmark interest rates relating to its debt obligations on which interest is set at floating rates. The Company's policy is to manage this risk to an acceptable level. The Company is principally exposed to interest rate risk on any borrowings under the Company's various debt facilities and on part of the senior notes assumed in connection with the acquisition of Baxalta. Interest on each of these debt obligations is set at floating rates, to the extent utilized. Shire's exposure under these facilities is to changes in U.S. dollar interest rates. For further details related to interest rates on the Company's various debt facilities, refer to Note 17, Borrowings and Capital Leases, to these Consolidated Financial Statements.

Designated Interest Rate Derivatives

As of December 31, 2017, interest rate swap contracts designated as fair value hedges were outstanding. The effective portion of the changes in the fair value of interest rate swap contracts are recorded as a component of the underlying Baxalta Notes with the ineffective portion recorded in Interest expense. Any net interest payments made or received on the interest rate swap contracts are recognized as a component of Interest expense in the Consolidated Statements of Operations.

The table below presents the notional amount, maturity and fair value for the designated interest rate derivatives:

<u>(In millions, except maturity)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notional amount	\$ 1,000.0	\$ 1,000.0
	June 2020 and June	June 2020 and June
Maturity	2025	2025
Fair value - net liability	<u>\$ (7.7)</u>	<u>\$ (1.2)</u>

For the years ended December 31, 2017 and 2016, the Company recognized losses of \$4.3 million and \$6.0 million, respectively, as ineffectiveness related to these contracts as a component of Interest expense.

Summary of Derivatives

The following tables summarize the income statement locations and gains and losses on the Company's designated and undesignated derivative instruments:

(In millions)	Gain/(loss) recognized in OCI		Income Statement location	Gain reclassified from AOCI into income	
	2017	2016		2017	2016
Years ended December 31,					
Designated derivative instruments					
Cash flow hedges					
Foreign exchange contracts	\$ (0.9)	\$ 14.6	Cost of sales	\$ 8.8	\$ 4.9
Fair value hedges					
Interest rate contracts, net			Interest expense	\$ (4.3)	\$ (6.0)
Undesignated derivative instruments					
Foreign exchange contracts			Other income/(expense), net	84.8	(40.2)
Interest rate swap contracts			Interest expense	—	(3.2)

Summary of Derivatives

The following table presents the classification and estimated fair value of derivative instruments:

(In millions)	Balance Sheet location	Asset position		Liability position		
		Fair value		Fair value		
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	
Designated derivative Instruments						
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	\$ 4.3	Other current liabilities	\$ —	\$ 0.1
Interest rate contracts	Long term borrowings	—	0.1	Long term borrowings	7.7	1.3
		\$ —	\$ 4.4		\$ 7.7	\$ 1.4
Undesignated derivative instruments						
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 17.9	\$ 13.6	Other current liabilities	\$ 6.5	\$ 6.9
Total derivative fair value		\$ 17.9	\$ 18.0		\$ 14.2	\$ 8.3
Potential effect of rights to offset		(2.7)	(1.7)		(2.7)	(1.7)
Net derivative		\$ 15.2	\$ 16.3		\$ 11.5	\$ 6.6

16. Accounts Payable and Accrued Expenses

Components of Accounts payable and accrued expenses are summarized as follows:

<u>(In millions)</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Accounts payable and accrued purchases	\$ 914.6	\$ 911.9
Accrued employee compensation and benefits payable	571.4	574.8
Accrued rebates	1,612.7	1,431.3
Accrued sales returns	175.7	118.4
Other accrued expenses	910.1	1,276.0
	<u>\$4,184.5</u>	<u>\$4,312.4</u>

17. Borrowings and Capital Leases

<u>(In millions)</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Short term borrowings:		
Baxalta notes	\$ 748.8	\$ —
Borrowings under the Revolving Credit Facilities Agreement	810.0	450.0
Borrowings under the November 2015 Facilities Agreement	1,196.3	2,594.8
Capital leases	7.5	6.4
Other borrowings	26.1	16.8
	<u>\$ 2,788.7</u>	<u>\$ 3,068.0</u>
Long term borrowings:		
SAIIDAC notes	\$12,050.2	\$12,039.2
Baxalta notes	4,308.9	5,063.6
Borrowings under the November 2015 Facilities Agreement	—	2,391.8
Capital leases	341.7	347.2
Other borrowings	51.6	58.0
	<u>\$16,752.4</u>	<u>\$19,899.8</u>
Total borrowings and capital leases	<u>\$19,541.1</u>	<u>\$22,967.8</u>

For a more detailed description of the Company's financing agreements, refer below.

The future payments related to short and long term borrowings and capital lease obligations, on maturities, as of December 31, 2017 are as follows:

<u>(In millions)</u>	
2018	\$ 2,804.7
2019	3,349.4
2020	1,040.9
2021	3,329.0
2022	519.5
Thereafter	8,591.9
Total obligations	19,635.4
Less: Debt issuance cost and discount	(94.3)
Total debt obligations	<u>\$19,541.1</u>

SAIIDAC Notes

On September 23, 2016, Shire Acquisitions Investments Ireland Designated Activity Company (SAIIDAC), a wholly owned subsidiary of Shire plc, issued unsecured senior notes with a total aggregate principal value of \$12.1 billion (SAIIDAC Notes), guaranteed by Shire plc and, as of December 1, 2016, by Baxalta. Below is a summary of the SAIIDAC Notes as of December 31, 2017:

<u>(In millions, except %)</u>	<u>Aggregate amount</u>	<u>Coupon rate</u>	<u>Effective interest rate in 2017</u>	<u>Carrying amount as of December 31, 2017</u>
Fixed-rate notes due 2019	\$ 3,300.0	1.900%	2.05%	\$ 3,291.9
Fixed-rate notes due 2021	3,300.0	2.400%	2.53%	3,286.4
Fixed-rate notes due 2023	2,500.0	2.875%	2.97%	2,489.5
Fixed-rate notes due 2026	<u>3,000.0</u>	<u>3.200%</u>	<u>3.30%</u>	<u>2,982.4</u>
	<u>\$12,100.0</u>			<u>\$12,050.2</u>

As of December 31, 2017, there was \$49.8 million of debt issuance costs and discount recorded as a reduction of the carrying amount of debt. These costs will be amortized as additional interest expense using the effective interest rate method over the period from issuance through maturity.

Baxalta Notes

Shire plc guaranteed senior notes issued by Baxalta with a total aggregate principal amount of \$5.0 billion in connection with the acquisition of Baxalta (Baxalta Notes). Below is a summary of the Baxalta Notes as of December 31, 2017:

<u>(In millions, except %)</u>	<u>Aggregate principal</u>	<u>Coupon rate</u>	<u>Effective interest rate in 2017</u>	<u>Carrying amount as of December 31, 2017</u>
		LIBOR plus		
Variable-rate notes due 2018	\$ 375.0	0.78%	2.60%	\$ 373.9
Fixed-rate notes due 2018	375.0	2.000%	2.00%	374.9
Fixed-rate notes due 2020	1,000.0	2.875%	2.80%	1,001.3
Fixed-rate notes due 2022	500.0	3.600%	3.30%	506.8
Fixed-rate notes due 2025	1,750.0	4.000%	3.90%	1,770.2
Fixed-rate notes due 2045	<u>1,000.0</u>	<u>5.250%</u>	<u>5.10%</u>	<u>1,030.6</u>
Total assumed Senior Notes	<u>\$5,000.0</u>			<u>\$5,057.7</u>

The effective interest rates above exclude the effect of any related interest rate swaps. The book values above include any premiums and adjustments related to hedging instruments. For further details related to the interest rate derivative contracts, please see Note 15, Financial Instruments, to these Consolidated Financial Statements.

Revolving Credit Facilities Agreement

On December 12, 2014, Shire entered into a \$2.1 billion revolving credit facilities agreement (RCF) with a number of financial institutions. As of December 31, 2017, the Company utilized \$810.0 million of the RCF. The RCF, which terminates on December 12, 2021, may be used for financing the general corporate purposes of Shire. The RCF incorporates a \$250.0 million U.S. dollar and Euro swingline facility operating as a sub-limit thereof.

Term Loan Facilities Agreements

November 2015 Facilities Agreement

On November 2, 2015, Shire entered into a \$5.6 billion facilities agreement (November 2015 Facilities Agreement), which is comprised of three amortizing credit facilities. The total amount outstanding under the November 2015 Facilities Agreement was \$1.2 billion as of December 31, 2017. During the year ended December 31, 2017, the Company made \$0.4 billion of advance repayments under November 2015 Facility A and \$2.2 billion of scheduled and advance repayments under November 2015 Facility B. Both November 2015 Facility A and November 2015 Facility B were fully repaid during the year ended December 31, 2017. The Company also made \$1.2 billion of advance repayments under November 2015 Facility C; consequently, the amount outstanding under November 2015 Facility C was \$1.2 billion as of December 31, 2017 maturing on November 2, 2018.

Short-term uncommitted lines of credit (Credit lines)

Shire has access to various Credit lines from a number of banks which are available to be utilized from time to time to provide short-term cash management flexibility. These Credit lines can be withdrawn by the banks at any time. The Credit lines are not relied upon for core liquidity. As of December 31, 2017, these Credit lines were not utilized.

Capital Lease Obligations

The capital leases are primarily related to office and manufacturing facilities. As of December 31, 2017, the total capital lease obligations, including current portions, were \$349.2 million.

18. Other Current Liabilities

Components of Other current liabilities are summarized as follows:

<u>(In millions)</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Income taxes payable	\$ 65.1	\$ 46.2
Value added taxes	30.4	17.6
Contingent consideration payable	626.8	65.1
Other current liabilities	<u>186.5</u>	<u>234.0</u>
	<u>\$908.8</u>	<u>\$362.9</u>

19. Retirement and Other Benefit Programs

The Company sponsors various pension and other post-employment benefit (OPEB) plans in the U.S. and other countries.

Reconciliation of Pension and OPEB Plan Obligations and Funded Status

The following provides information about projected benefit obligations, plan assets, the funded status and weighted-average assumptions of the OPEB and pension plans:

(In millions)	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Benefit obligations						
Beginning of period	\$ 384.1	\$ 581.4	\$ 25.0	\$ —	\$ —	\$ —
Assumption of benefit obligations	—	—	—	441.6	503.8	23.5
Service cost	14.6	39.4	1.5	13.0	18.6	0.8
Interest cost	15.6	4.9	1.0	11.1	3.2	0.6
Participant contributions	—	8.9	—	—	3.2	—
Actuarial loss/(gain)	34.4	(22.9)	(1.2)	(10.6)	(29.8)	0.1
Benefit payments	(5.1)	(19.8)	(0.2)	(1.6)	(9.1)	—
Plan amendments	—	—	(9.0)	—	—	—
Settlements	—	(10.4)	—	—	(3.2)	—
Curtailments	—	(4.0)	—	(73.4)	—	—
Foreign exchange	—	45.4	—	—	(18.3)	—
Other	—	(5.0)	—	4.0	113.0	—
End of Period	<u>\$ 443.6</u>	<u>\$ 617.9</u>	<u>\$ 17.1</u>	<u>\$ 384.1</u>	<u>\$ 581.4</u>	<u>\$ 25.0</u>
Fair value of plan assets						
Beginning of period	\$ 228.4	\$ 197.9	\$ —	\$ —	\$ —	\$ —
Assumption of plan assets	—	—	—	218.0	140.5	—
Actual return on plan assets	35.4	12.3	—	8.3	2.0	—
Employer contributions	0.9	32.2	0.2	0.4	12.3	—
Participant contributions	—	8.9	—	—	3.2	—
Benefit payments	(5.0)	(19.8)	(0.2)	(1.6)	(9.1)	—
Settlements	—	(10.4)	—	—	(3.2)	—
Foreign exchange	—	11.9	—	—	(3.8)	—
Other	—	4.2	—	3.3	56.0	—
End of Period	<u>259.7</u>	<u>237.2</u>	<u>—</u>	<u>228.4</u>	<u>197.9</u>	<u>—</u>
Funded status	<u><u>\$(183.9)</u></u>	<u><u>\$(380.7)</u></u>	<u><u>\$(17.1)</u></u>	<u><u>\$(155.7)</u></u>	<u><u>\$(383.5)</u></u>	<u><u>\$(25.0)</u></u>

Amounts recognized in the Consolidated Balance Sheets

(In millions)	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Other current liabilities	\$ (0.8)	\$ (15.7)	\$ (0.4)	\$ (0.6)	\$ (8.8)	\$ (0.2)
Other non-current liabilities	<u>(183.1)</u>	<u>(365.0)</u>	<u>(16.7)</u>	<u>(155.1)</u>	<u>(374.7)</u>	<u>(24.8)</u>
Net liability recognized	<u><u>\$(183.9)</u></u>	<u><u>\$(380.7)</u></u>	<u><u>\$(17.1)</u></u>	<u><u>\$(155.7)</u></u>	<u><u>\$(383.5)</u></u>	<u><u>\$(25.0)</u></u>

The majority of the Company's pension and OPEB plans were assumed with the acquisition of Baxalta on June 3, 2016.

The Company amended the OPEB and adopted a plan freeze effective December 31, 2017. According to the amendment, employees who have not met certain criteria, may not qualify as an eligible retiree regardless of such employee's age or service at the employee's date of termination. As a result, a prior service credit was recorded during the year ended December 31, 2017.

On December 31, 2016, the Company amended the U.S. pension plan which eliminated the estimate of future compensation levels beyond December 31, 2017, the effective date. As a result, a curtailment gain of \$69.4 million was recorded during 2016.

For the year ended December 31, 2016, Other primarily represents the recognition of additional defined benefit plan in Switzerland.

Accumulated Benefit Obligation Information

The pension obligation represents the projected benefit obligation (PBO) as of December 31, 2017 and 2016. The PBO incorporates assumptions relating to future compensation levels. The accumulated benefit obligation (ABO) is the same as the PBO except that it does not include assumptions relating to future compensation levels. The ABO as of December 31, 2017 for the U.S. pension plans was \$443.6 million (December 31, 2016: \$373.2 million). The ABO as of December 31, 2017 for the International pension plans was \$494.2 million (December 31, 2016: \$457.9 million).

The funded status figures and ABO disclosed above reflect all of the Company's pension plans. The following ABO and plan asset information includes only those individual plans that have an ABO in excess of plan assets.

<u>(In millions)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
US		
ABO	\$443.6	\$373.2
Fair value of plan assets	259.7	228.4
International		
ABO	469.0	437.5
Fair value of plan assets	<u>209.6</u>	<u>176.2</u>

Expected Net Pension and OPEB Plan Payments for the Next 10 Years

<u>(In millions)</u>	<u>U.S. pensions</u>	<u>International pensions</u>	<u>OPEB (U.S.)</u>
2018	\$ 6.0	\$ 28.1	\$0.4
2019	7.7	20.7	0.5
2020	9.2	22.2	0.6
2021	10.7	24.3	0.8
2022	12.2	25.4	0.9
2023 through 2027	<u>84.3</u>	<u>134.8</u>	<u>6.8</u>

The expected net benefit payments reflect the Company's share of the total net benefits expected to be paid from the plans' assets (for funded plans) or from the Company's assets (for unfunded plans) as of December 31, 2017. The federal subsidies relating to the Medicare Prescription Drug, Improvement and Modernization Act are not expected to be significant.

Amounts Recognized in AOCI

The pension and OPEB plans' gains or losses not yet recognized in net periodic benefit cost are recognized in AOCI and amortized from AOCI to net periodic benefit cost in the future. The following is a summary of the pre-tax net gain/(losses) recorded in AOCI:

(In millions)	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
(Loss)/gain arising during the year	\$(14.9)	\$41.2	\$10.1	\$ 83.4	\$(10.3)	\$ 0.1
Reclassification of gain to income statement	—	(1.3)	—	(69.4)	—	—
Pension and other employee benefit (loss)/gain, pre-tax	<u>\$(14.9)</u>	<u>\$39.9</u>	<u>\$10.1</u>	<u>\$ 14.0</u>	<u>\$(10.3)</u>	<u>\$ 0.1</u>

Refer to Note 20, Accumulated Other Comprehensive Income/(Loss), for the net of tax balances included in AOCI as of December 31, 2017 and 2016. The Company does not expect to amortize a significant amount of AOCI to net periodic benefit cost in 2018.

In 2016, the reclassification of gain to the income statement represents the recognition of the curtailment gain associated with the U.S. pension plans as further described above.

Net Periodic Benefit Cost

The net periodic benefit cost is as follows:

(In millions)	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Net periodic benefit cost						
Service cost	\$ 14.6	\$39.4	\$ 1.5	\$ 13.0	\$18.6	\$ 0.8
Interest cost	15.6	4.9	1.0	11.1	3.2	0.6
Expected return on plan assets	(15.9)	(7.4)	—	(8.9)	(3.9)	—
Curtailed and other	—	1.9	—	(69.4)	20.0	—
Net periodic benefit cost	<u>\$ 14.3</u>	<u>\$38.8</u>	<u>\$ 2.5</u>	<u>\$(54.2)</u>	<u>\$37.9</u>	<u>\$ 1.4</u>

In 2016, the net periodic benefit cost is from June 3, 2016, the date the Company assumed the obligations from Baxalta, through December 31, 2016.

In 2016 Curtailments and other relates to the recognition of a curtailment gain of \$69.4 million associated with the U.S. pension plans as described above and a loss of \$20.0 million for the recognition of a defined benefit plan in Switzerland.

Weighted-Average Assumptions Used in Determining Benefit Obligations at the Measurement Date

The following weighted-average assumptions were used in calculating measurement of benefit obligations:

	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Discount rate	3.7%	1.0%	3.5%	4.2%	1.0%	4.3%
Rate of compensation increase	n/a	3.0%	n/a	3.8%	2.9%	n/a
Health care cost trend rate	n/a	n/a	6.0%	n/a	n/a	6.3%
Rate decreased to	n/a	n/a	5.0%	n/a	n/a	5.0%
by the year ended	<u>n/a</u>	<u>n/a</u>	<u>2022</u>	<u>n/a</u>	<u>n/a</u>	<u>2022</u>

Weighted-Average Assumptions Used in Determining Net Periodic Benefit Cost

The following weighted-average assumptions were used in determining net periodic benefit cost:

	December 31, 2017			December 31, 2016		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Discount rate	4.2%	1.0%	4.2%	4.1%	1.0%	4.2%
Expected return on plan assets	7.0%	3.4%	n/a	7.0%	4.5%	n/a
Rate of compensation increase	3.8%	3.0%	n/a	3.8%	3.2%	n/a
Health care cost trend rate	n/a	n/a	6.0%	n/a	n/a	6.5%
Rate decreased to	n/a	n/a	5.0%	n/a	n/a	5.0%
by the year end	<u>n/a</u>	<u>n/a</u>	<u>2022</u>	<u>n/a</u>	<u>n/a</u>	<u>2022</u>

The Company establishes the expected return on plan assets assumption based primarily on a review of historical compound average asset returns, both Company-specific and the broad market (and considering the Company's asset allocations), an analysis of current market and economic information and future expectations.

The effect of a one-percent change in the assumed healthcare cost trend rate would not have a significant impact on the OPEB plan benefit obligation as of December 31, 2017 or the plan's service and interest cost during 2017.

Pension Plan Assets

A committee of members of senior management is responsible for supervising, monitoring and evaluating the invested assets of the Company's funded pension plans. The committee abides by policies and procedures relating to investment goals, targeted asset allocations, risk management practices, allowable and prohibited investment holdings, diversification, use of derivatives, the relationship between plan assets and benefit obligations, and other relevant factors and considerations. In the United States, Goldman Sachs Asset Management acts as an outsourced chief investment officer (oCIO) to perform the day-to-day management of pension assets.

The policies and procedures include the following:

- Ability to pay all benefits when due;
- Targeted long-term performance expectations relative to applicable market indices, such as Standard & Poor's, Russell, MSCI EAFE, and other indices;
- Targeted asset allocation percentage ranges (summarized below), and periodic reviews of these allocations;

- Specified investment holding and transaction prohibitions (for example, private placements or other restricted securities, securities that are not traded in a sufficiently active market, short sales, certain derivatives, commodities and margin transactions);
- Specified portfolio percentage limits on foreign holdings; and
- Periodic monitoring of oCIO performance and adherence to policies.

Plan assets are invested using a total return investment approach whereby a mix of equity securities, debt securities and other investments are used to preserve asset values, diversify risk and exceed the planned benchmark investment return. Investment strategies and asset allocations are based on consideration of plan liabilities, the plans' funded status and other factors, such as the plans' demographics and liability durations. Investment performance is reviewed on a quarterly basis and asset allocations are reviewed at least annually.

Plan assets are managed in a balanced equity and fixed income portfolio. The target allocations for plan assets are 75% in an equity portfolio and 25% in a fixed income portfolio. The policy includes an allocation range based on each individual investment type within the major portfolios that allows for a variance from the target allocations of approximately 5%. The equity portfolio may include common stock of U.S. and international companies, common/collective trust funds, mutual funds, hedge funds and real asset investments. The fixed income portfolio may include cash, money market funds with an original maturity of three months or less, U.S. and foreign government and governmental agency issues, common/collective trust funds, corporate bonds, municipal securities, derivative contracts and asset-backed securities.

While the committee provides oversight over plan assets for U.S. and international plans, the summary above is specific to the plans in the U.S. The plan assets for international plans are managed and allocated by the entities in each country, with input and oversight provided by the committee.

The following pension assets are recorded at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). Investments that are measured at fair value using the net asset value per share or its equivalent as a practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table is intended to permit reconciliation of the fair value hierarchy and the fair value of plan assets.

U.S. pension plan assets

(In millions)	Fair value			
	Level 1	Level 2	Level 3	Total
As of December 31, 2017				
Assets				
Equity				
Mutual fund	\$17.9	\$—	\$—	\$ 17.9
Total investments at fair value	\$17.9	\$—	\$—	\$ 17.9
Fixed income				
Cash equivalents				6.2
Collective trust funds				52.4
Mutual fund				12.7
Equity				
Collective trust funds				116.6
Mutual funds				42.0
Hedge fund				11.9
Fair value of pension plan assets				<u>\$259.7</u>

U.S. pension plan assets

(In millions)	Fair value			
	Level 1	Level 2	Level 3	Total
As of December 31, 2016				
Assets				
Equity				
Mutual fund	\$16.5	\$—	\$—	\$ 16.5
Total investments at fair value	\$16.5	\$—	\$—	\$ 16.5
Fixed Income				
Cash equivalent				5.7
Collective trust funds				46.4
Mutual fund				11.4
Equity				
Collective trust funds				100.4
Mutual funds				36.9
Hedge fund				11.1
Fair value of pension plan assets				<u>\$228.4</u>

International pension plan assets

(In millions)	Fair value			
	Level 1	Level 2	Level 3	Total
As of December 31, 2017				
Assets				
Fixed income				
Cash and cash equivalents	\$ 3.8	\$—	\$—	\$ 3.8
Government agency issues	1.7	—	—	1.7
Corporate bonds	14.4	—	—	14.4
Mutual funds	32.4	—	—	32.4
Equity				
Common stock - large cap	24.3	—	—	24.3
Mutual funds	50.3	—	—	50.3
Real estate funds	14.3	6.4	—	20.7
Other holdings	—	89.6	—	89.6
Fair value of pension plan assets	<u>\$141.2</u>	<u>\$96.0</u>	<u>\$—</u>	<u>\$237.2</u>

International pension plan assets

(In millions)	Fair value			
	Level 1	Level 2	Level 3	Total
As of December 31, 2016				
Assets				
Fixed income				
Cash and cash equivalents	\$ 6.2	\$ —	\$ —	\$ 6.2
Government agency issues	0.6	—	—	0.6
Corporate bonds	21.1	—	—	21.1
Mutual funds	24.4	—	—	24.4
Equity				
Common Stock:				
Large cap	19.9	—	—	19.9
Mid cap	1.6	—	—	1.6
Total common stock	21.5	—	—	21.5
Mutual funds	40.6	—	—	40.6
Real estate funds	8.4	3.7	—	12.1
Other holdings	—	71.4	—	71.4
Fair value of pension plan assets	<u>\$122.8</u>	<u>\$75.1</u>	<u>\$—</u>	<u>\$197.9</u>

The assets and liabilities of the Company's pension plans are valued using the following valuation methods:

Investment category	Valuation methodology
Cash and cash equivalents	These largely consist of a short-term investment fund, U.S. dollars and foreign currency. The fair value of the short-term investment fund is based on the net asset value
Government agency issues	Values are based on quoted prices in an active market
Corporate bonds	Values are based on the valuation date in an active market
Common stock	Values are based on the closing prices on the valuation date in an active market
Mutual funds	Values are based on the net asset value of the units held in the respective fund which are obtained from active markets or as reported by the fund managers
Collective trust funds and hedge funds	Values are based on the net asset value of the units held at year end
Real estate funds	The value of these assets are either determined by the net asset value of the units held in the respective fund which are obtained from active markets or based on the net asset value of the underlying assets of the fund provided by the fund manager
Other holdings	These primarily consist of insurance contracts whose value is based on the underlying assets and other holdings valued primarily based on reputable pricing vendors that typically use pricing matrices or models

Expected Pension and OPEB Plan Funding

The Company's funding policy for its pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plans, tax deductibility, the cash flows generated by the Company, and other factors. Volatility in the global financial markets could have an unfavorable impact on future funding requirements.

The Company had no obligation to fund its principal plans in the U.S. for the year ended December 31, 2017 and did not make any voluntary contributions for the year ended December 31, 2017 and 2016. The Company is expected to make cash contributions of at least \$13.0 million during 2018. During 2017 and 2016, the Company contributed to its international plans \$20.6 million and \$7.1 million, respectively and expects to make cash contributions of at least \$18.6 million during 2018. Cash outflows related to OPEB plan were less than \$1.0 million during the year ended December 31, 2017 and the Company expects to have less than \$1.0 million cash outflows during 2018.

The Company continually reassesses the amount and timing of any discretionary contributions, which could be significant in any period.

The table below details the funded status percentage of the Company's pension plans as of December 31, 2017 and 2016 including certain plans that are unfunded in accordance with the guidelines of the Company's funding policy outlined above.

	As of December 31, 2017				
	United States		International		Total
	Qualified plan	Nonqualified plan	Funded plans	Unfunded plans	
(In millions, except %)					
Fair value of plan assets	\$259.7	n/a	\$237.2	n/a	\$ 496.9
PBO	412.1	31.5	430.8	187.1	1,061.5
Funded status percentage	63%	n/a	55%	n/a	47%

	As of December 31, 2016				
	United States		International		Total
	Qualified plan	Nonqualified plan	Funded plans	Unfunded plans	
(In millions, except %)					
Fair value of plan assets	\$228.4	n/a	\$197.9	n/a	\$ 426.3
PBO	352.8	31.3	413.7	167.7	965.5
Funded status percentage	65%	n/a	48%	n/a	44%

U.S. Defined Contribution Plans

In addition to benefits provided under the pension and OPEB plans described above, the Company provides benefits under defined contribution plans. The Company's most significant defined contribution plans are in the United States. The Company recognized expenses related to U.S. defined contribution plans of \$60.0 million, \$68.1 million and \$38.9 million during 2017, 2016 and 2015, respectively.

20. Accumulated Other Comprehensive Income/(Loss)

The changes in Accumulated other comprehensive income/(loss) (AOCI), net of their related tax effects, for the year ended December 31, 2017 are as follows:

(In millions)	Foreign currency translation adjustment	Pension and other employee benefits	Unrealized holding gain/(loss) on available-for- sale securities	Hedging activities	Accumulated other comprehensive (loss)/income
As of January 1, 2017	\$(1,505.4)	\$(5.2)	\$ 6.6	\$ 6.4	\$(1,497.6)
Current period change:					
Other comprehensive income/(loss) before reclassifications	2,785.0	33.4	75.2	(0.6)	2,893.0
Amounts reclassified from AOCI	—	(0.7)	(13.9)	(5.8)	(20.4)
Net current period other comprehensive income/ (loss)	<u>2,785.0</u>	<u>32.7</u>	<u>61.3</u>	<u>(6.4)</u>	<u>2,872.6</u>
As of December 31, 2017	<u>\$ 1,279.6</u>	<u>\$27.5</u>	<u>\$ 67.9</u>	<u>\$—</u>	<u>\$ 1,375.0</u>

The following is a summary of the amounts reclassified from AOCI to net income during the year ended December 31, 2017.

(In millions)	Amounts reclassified from AOCI	
	2017	Location of impact in Statements of Operations
Pension and other employee benefits		
Amortization of actuarial loss	\$(1.8)	Net periodic benefit cost
Curtailment gain	3.1	Cost of sales
	1.3	Total before tax
	(0.6)	Tax expense
	<u>0.7</u>	Net of tax
Available-for-sale securities		
Gain on available-for-sale securities	13.9	Other (expense)/income, net
	13.9	Total before tax
	—	Tax expense
	<u>13.9</u>	Net of Tax
Hedging activities		
Foreign exchange contracts	8.8	Cost of sales
	8.8	Total before tax
	(3.0)	Tax expense
	<u>5.8</u>	Net of tax
Total reclassifications for the period	<u>\$20.4</u>	Total net of tax

The changes in Accumulated other comprehensive income/(loss) (AOCI), net of their related tax effects, for the year ended December 31, 2016 are as follows:

<u>(In millions)</u>	<u>Foreign currency translation adjustment</u>	<u>Pension and other employee benefits</u>	<u>Unrealized holding loss on available- for-sale securities</u>	<u>Hedging activities</u>	<u>Accumulated other comprehensive loss</u>
As of January 1, 2016	\$ (182.1)	\$ —	\$(1.7)	\$—	\$ (183.8)
Current period change:					
Other comprehensive (loss)/income before reclassifications	(1,323.3)	38.3	8.3	9.9	(1,266.8)
Amounts reclassified from AOCI	<u>—</u>	<u>(43.5)</u>	<u>—</u>	<u>(3.5)</u>	<u>(47.0)</u>
Net current period other comprehensive (loss)/ income	<u>(1,323.3)</u>	<u>(5.2)</u>	<u>8.3</u>	<u>6.4</u>	<u>(1,313.8)</u>
As of December 31, 2016	<u>\$ (1,505.4)</u>	<u>\$ (5.2)</u>	<u>\$ 6.6</u>	<u>\$ 6.4</u>	<u>\$ (1,497.6)</u>

The following is a summary of the amounts reclassified from AOCI to net income during the year ended December 31, 2016.

<u>(In millions)</u>	<u>Amounts reclassified from AOCI</u>	
	<u>2016</u>	<u>Location of impact in Statements of Operations</u>
Pension and employee benefits		
Curtailment gain	\$ 69.4	Integration and acquisition costs
	69.4	Total before tax
	<u>(25.9)</u>	Tax expense
	43.5	Net of tax
Losses on hedging activities		
Foreign exchange contracts	4.9	Cost of sales
	4.9	Total before tax
	<u>(1.4)</u>	Tax expense
	3.5	Net of tax
Total reclassifications for the period	<u>\$ 47.0</u>	Total net of tax

21. Taxation

The components of pre-tax income from continuing operations are as follows:

<u>(In millions)</u>	<u>Years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ireland	\$ 350.8	\$214.3	\$ (11.4)
United States	625.2	(75.3)	975.8
Rest of the world	<u>917.4</u>	<u>347.1</u>	<u>421.4</u>
	<u>\$1,893.4</u>	<u>\$486.1</u>	<u>\$1,385.8</u>

The provision for income taxes on continuing operations by location of the taxing jurisdiction for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

(In millions)	Years ended December 31,		
	2017	2016	2015
Current income taxes:			
Ireland	\$ 46.6	\$ 5.2	\$ 0.8
U.S. federal tax	373.8	318.6	191.7
U.S. state and local taxes	55.8	30.2	17.3
Rest of the world	90.4	68.9	17.8
Total current taxes	<u>566.6</u>	<u>422.9</u>	<u>227.6</u>
Deferred taxes:			
Ireland	22.3	18.2	(38.8)
U.S. federal tax	(3,050.3)	(433.8)	(151.2)
U.S. state and local taxes	260.1	(74.1)	(1.7)
Rest of the world	(156.3)	(59.3)	10.2
Total deferred taxes	<u>(2,924.2)</u>	<u>(549.0)</u>	<u>(181.5)</u>
Total income taxes	<u><u>\$(2,357.6)</u></u>	<u><u>\$(126.1)</u></u>	<u><u>\$ 46.1</u></u>

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (Tax Act) into legislation. We have recorded a tax benefit of \$2.5 billion, related to the remeasurement of deferred tax assets and liabilities offset by a tax expense of \$90.0 million relating to the impact of the transition tax on the deemed repatriation of foreign income. Due to enactment late in the Company's annual reporting period, the Company was unable to obtain all of the requisite information and perform computations for all consequences of the Tax Act. In addition, it is expected that significant guidance will be issued that may change how the Company has computed the provisional amounts included in its annual financial statements for the year ended December 31, 2017. The Company will continue to assess the impact of the Tax Act during the measurement period and will record any adjustments to its provisional estimates as needed during 2018.

The Company determines the amount of income tax expense or benefit allocable to continuing operations using the incremental approach. The amount of income tax attributed to discontinued operations is disclosed in Note 7, Results of Discontinued Operations, in these Consolidated Financial Statements.

The reconciliation of income from continuing operations before income taxes and equity in earnings/ (losses) of equity method investees at the statutory tax rate to the provision for income taxes is shown in the table below:

	Years ended December 31,		
	2017	2016	2015
Income from continuing operations before income taxes and equity in (losses)/ earnings of equity method investees (in millions)	\$1,893.4	\$486.1	\$1,385.8
Statutory tax rate (1)	25.0%	25.0%	25.0%
U.S. R&D credit	(6.6)%	(25.9)%	(7.7)%
Intra-group items (2)	(13.5)%	(44.4)%	(18.6)%
Other permanent items	2.5%	4.5%	1.1%
U.S. Domestic Manufacturing Deduction	(1.4)%	(4.0)%	(1.6)%
Acquisition Related Costs	— %	8.5%	1.1%
Irish Treasury Operations	(4.1)%	(8.6)%	0.6%
Change in valuation allowance	(0.5)%	7.9%	1.0%
Difference in taxation rates (3)	3.6%	13.0%	7.3%
Change in provisions for uncertain tax positions	(2.7)%	(1.5)%	(0.4)%
Prior year adjustment	(0.1)%	1.0%	(1.6)%
Change in fair value of contingent consideration	— %	3.7%	(3.8)%
Change in tax rates	(1.2)%	(5.1)%	0.9%
US Tax Reform	(130.3)%	— %	— %
US Transition Tax	4.8%	— %	— %
Provision for income taxes on continuing operations	(124.5)%	(25.9)%	3.3%

- (1) In addition to being subject to the Irish corporation tax rate of 25.0% in 2017, the Company is also subject to income tax in other territories in which the Company operates, including: Canada (15.0%); France (33.3%); Germany (15.0%); Italy (24.0%); Japan (23.4%); Luxembourg (19.0%); the Netherlands (25.0%); Belgium (33.99%); Singapore (17.00%); Spain (25.0%); Sweden (22.0%); Switzerland (8.5%); United Kingdom (19.3%) and the U.S. (35.0%). The rates quoted represent the statutory federal income tax rates in each territory, and do not include any state taxes or equivalents or surtaxes or other taxes charged in individual territories, and do not purport to represent the effective tax rate for the Company in each territory.
- (2) Intra-group items principally relate to the effect of intra-territory eliminations, the pre-tax effect of which has been eliminated in arriving at the Company's consolidated income from continuing operations before income taxes, noncontrolling interests, and equity in earnings/(losses) of equity method investees. The Company's intra-group items primarily arise from its acquisition of third parties that result in income and expense being received and taxed in different jurisdictions at various tax rates.
- (3) The expense from the difference in taxation rates reflects the impact of the higher income tax rates in the United States offset by the impact of lower foreign jurisdiction income tax rates.

As detailed in the income tax rate reconciliation above, the Company's effective tax rate differs from the Irish statutory rate each year due to foreign taxes that are different than the Irish statutory rate and certain operations that are subject to tax incentives. In addition, the effective tax rate can be impacted each period by certain discrete factors and events, which, in 2017, included items related to U.S. tax reform.

Provisions for uncertain tax positions

The Company files income tax returns in the Republic of Ireland, the U.S. (both federal and state) and various other jurisdictions (see footnote 1 to the table above for major jurisdictions). With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2013. Tax authorities in various jurisdictions are in the process of auditing the Company's tax returns for fiscal periods

primarily after 2012, with the earliest being 2007; these tax audits cover primarily transfer pricing, but may include other areas.

While tax audits remain open, the Company also considers it reasonably possible that issues may be raised by tax authorities resulting in increases to the balance of unrecognized tax benefits, however, an estimate of such an increase cannot be made.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(In millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance as of January 1	\$ 236.3	\$216.3	\$207.8
Increases based on tax positions related to the current year	132.6	34.3	27.0
Decreases based on tax positions taken in the current year	(128.5)	—	—
Increases for tax positions taken in prior years	3.1	0.5	3.9
Decreases for tax positions taken in prior years	(43.7)	(17.8)	(30.6)
Acquisition related items	(1.8)	29.5	17.9
Decreases resulting from settlements with the taxing authorities	—	(24.4)	(1.2)
Decreases as a result of expiration of the statute of limitations	(8.2)	(2.4)	(4.4)
Foreign currency translation adjustments (1)	0.7	0.3	(4.1)
Balance as of December 31 (2)	<u>\$ 190.5</u>	<u>\$236.3</u>	<u>\$216.3</u>

- (1) Foreign currency translation adjustments are recognized within Other Comprehensive Income.
- (2) As of December 31, 2017, approximately \$185.0 million (2016: \$227.0 million, 2015: \$207.0 million) of which would affect the effective rate if recognized.

There is no requirement to record any reserves or other contingencies related to the receipt of the break fee from AbbVie in 2014. The relevant tax return was submitted on September 23, 2015.

The Company does not anticipate any material changes in the next 12 months to the total amount of unrecognized tax benefits recorded as of December 31, 2017. As of the balance sheet date, the Company believes that its reserves for uncertain tax positions are adequate to cover the resolution of these audits. However, the resolution of these audits could have a significant impact on the financial statements if the settlement differs from the amount reserved.

The Company recognizes interest and penalties accrued related to unrecognized tax positions within income taxes. During the years ended December 31, 2017, 2016 and 2015, the Company recognized a charge/ (credit) to income taxes of (\$14.2 million), \$4.2 million and \$0.8 million in interest and penalties and the Company had a liability of \$16.5 million, \$30.8 million and \$26.5 million for the payment of interest and penalties accrued as of December 31, 2017, 2016 and 2015, respectively.

Deferred taxes

The significant components of deferred tax assets and liabilities and their balance sheet classifications, as of December 31, are as follows:

<u>(In millions)</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Deferred tax assets:		
Deferred revenue	\$ 3.5	\$ 16.8
Inventory & warranty provisions	64.2	88.7
Losses carried forward (including tax credits)	1,687.1	1,907.3
Provisions for sales deductions and doubtful accounts	119.4	191.6
Intangible assets	50.3	79.7
Share-based compensation	93.3	137.5
Excess of tax value over book value of assets	11.5	14.2
Accruals and provisions	249.4	448.6
Other	26.2	78.5
Gross deferred tax assets	2,304.9	2,962.9
Less: valuation allowance	<u>(635.7)</u>	<u>(569.4)</u>
	1,669.2	2,393.5
Deferred tax liabilities:		
Intangible assets	(5,501.2)	(9,073.4)
Excess of book value over tax value in inventory	(9.6)	(150.3)
Excess of book value over tax value of assets and investments	(650.0)	(1,304.2)
Other	<u>(67.8)</u>	<u>(91.6)</u>
Net deferred tax liabilities	<u>(4,559.4)</u>	<u>(8,226.0)</u>
Balance sheet classifications:		
Deferred tax assets - non-current	188.8	96.7
Deferred tax liabilities - non-current	<u>(4,748.2)</u>	<u>(8,322.7)</u>
	<u>\$(4,559.4)</u>	<u>\$(8,226.0)</u>

As of December 31, 2017, the Company had a valuation allowance of \$635.7 million (2016: \$569.4 million; 2015: \$416.1 million) to reduce its deferred tax assets to estimated realizable value. These valuation allowances related primarily to operating losses, capital losses, and tax-credit carry-forwards in Switzerland (2017: \$200.0 million; 2016: \$176.8 million; 2015: \$131.5 million); U.S. (2017: \$148.9 million; 2016: \$155.1 million; 2015: \$125.9 million); Ireland (2017: \$22.3 million; 2016: \$22.4 million; 2015: \$22.2 million); and other foreign tax jurisdictions (2017: \$264.5 million; 2016: \$215.1 million; 2015: \$136.5 million).

Management is required to exercise judgment in determining whether deferred tax assets will more likely than not be realized. A valuation allowance is established where there is an expectation that on the balance of probabilities management considers it is more likely than not that the relevant deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs all available positive and negative evidence including cumulative losses in recent years, projections of future taxable income, carry forward and carry back potential under relevant tax law, expiration period of tax attributes, taxable temporary differences, and prudent and feasible tax-planning strategies.

The net increase in valuation allowances of \$66.3 million includes (i) increases of \$81.4 million relating to operating losses in various jurisdictions for which management considers that there is insufficient positive evidence related to the factors described above to overcome negative evidence, such as cumulative losses and expiration periods and therefore it is more likely than not that the relevant deferred tax assets will not be realized in full, and (ii) decreases of \$15.1 million primarily related to U.S. state tax losses, which based on the

assessment of factors described above now provides sufficient positive evidence to support the losses are more likely than not to be realized.

As of December 31, 2017, based upon a consideration of the factors described above management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if these factors are revised in future periods.

The approximate tax effect of NOLs, capital losses and tax credit carry-forwards as of December 31, are as follows:

<u>(In millions)</u>	<u>2017</u>	<u>2016</u>
U.S. federal tax	\$ 489.6	\$ 687.1
U.S. state tax	140.3	170.7
Republic of Ireland	29.4	45.1
Foreign tax jurisdictions	723.8	614.9
R&D and other tax credits	303.9	389.5
	<u>\$1,687.0</u>	<u>\$1,907.3</u>

The approximate gross value of net operating losses (NOLs) and capital losses at December 31, 2017 is \$11,137.5 million (2016: \$10,843.1 million). The tax effected NOLs, capital losses and tax credit carry-forwards shown above have the following expiration dates:

<u>(In millions)</u>	<u>December 31, 2017</u>
Within 1 year	\$ 1.4
Within 1 to 2 years	34.4
Within 2 to 3 years	18.4
Within 3 to 4 years	44.3
Within 4 to 5 years	50.1
Within 5 to 6 years	31.8
After 6 years	919.5
Indefinitely	<u>587.1</u>

The Company does not provide for deferred taxes on the excess of the financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. As of December 31, 2017, that excess totaled \$14.4 billion (2016: \$16.6 billion). On December 22, 2017, President Trump signed tax reform legislation (HR 1) which includes a broad range of tax reform proposals affecting businesses, including the payment of a one-time tax or “toll charge” on previously unremitted earnings of certain non-US subsidiaries. Accordingly, the Company will no longer assert that any of the earnings that will be taxed as part of the toll charge are indefinitely reinvested (approximately \$7.6 billion).

22. Earnings Per Share

The following table reconciles net income and loss and the weighted average ordinary shares outstanding for basic and diluted earnings per share (EPS) for the periods presented:

(In millions)	Years ended December 31,		
	2017	2016	2015
Income from continuing operations, net of taxes	\$4,253.5	\$ 603.5	\$1,337.5
Gain/(loss) from discontinued operations, net of taxes	18.0	(276.1)	(34.1)
Numerator for basic and diluted earnings per share	\$4,271.5	\$ 327.4	\$1,303.4
Weighted average number of shares:			
Basic	906.5	770.1	590.4
Effect of dilutive shares:			
Share-based awards to employees	5.5	6.1	2.7
Diluted	912.0	776.2	593.1
Earnings per Ordinary Share – basic			
Earnings from continuing operations	4.69	0.78	2.27
Earnings/(loss) from discontinued operations	0.02	(0.35)	(0.06)
Earnings per Ordinary Share – basic	4.71	0.43	2.21
Earnings per Ordinary Share – diluted			
Earnings from continuing operations	4.66	0.77	2.26
Earnings/(loss) from discontinued operations	0.02	(0.35)	(0.06)
Earnings per Ordinary Share – diluted	4.68	0.42	2.20

Weighted average number of basic shares excludes shares purchased by the Employee Benefit Trust and those under the shares buy-back program, which are both presented by Shire as treasury stock. Share-based awards to employees are calculated using the treasury method.

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

(Number of shares in millions)	Years ended December 31,		
	2017	2016	2015
Share-based awards to employees	15.2	4.1	3.4

Certain stock options have been excluded from the calculation of diluted EPS for the years ended December 31, 2017, 2016 and 2015 because either their exercise prices exceeded Shire's average share price during the calculation period, the required performance conditions were not satisfied as of the balance sheet date or their inclusion would have been antidilutive.

23. Share-based Compensation Plans

Total share-based compensation recorded by the Company during the years ended December 31, 2017, 2016 and 2015 by line item is as follows:

(In millions)	Years ended December 31,		
	2017	2016	2015
Cost of sales	\$ 35.6	\$ 23.3	\$ 7.6
Research and development	27.3	46.9	28.6
Selling, general and administrative	97.2	67.1	37.4
Integration and acquisition costs	14.8	181.2	—
Reorganization costs	—	—	26.7
Total	174.9	318.5	100.3
Less tax	(43.4)	(85.3)	(28.4)
	<u>\$131.5</u>	<u>\$233.2</u>	<u>\$ 71.9</u>

During the year ended December 31, 2017, the Company incurred total expense of \$61.6 million (2016: \$223.1 million, 2015: \$nil) related to replacement awards held by Baxalta employees as further described below. This includes integration related expenses of \$14.8 million during the year ended December 31, 2017 (2016: \$171.0 million, 2015: \$nil), primarily due to the acceleration of unrecognized expense associated with certain employees impacted by the integration.

There were no capitalized share-based compensation costs as of December 31, 2017, 2016 and 2015.

As of December 31, 2017, \$218.3 million (2016: \$244.2 million, 2015: \$115.3 million) of total unrecognized compensation cost relating to non-vested awards is expected to be recognized over a period of three years.

Share-based compensation plans

Prior to February 28, 2015, the Company granted stock-settled share appreciation rights (SARs) and performance share awards (PSAs) over ordinary shares and ADSs to Executive Directors and employees under the Shire Portfolio Share Plan (PSP) (Parts A and B). The SARs and PSAs granted under the PSP (Parts A and B) to Executive Directors are exercisable subject to performance and service criteria. Substantially all SARs and PSAs granted to employees are exercisable subject only to service criteria.

The principal terms and conditions of SARs and PSAs under the PSP (Parts A and B) are as follows: (i) the contractual life of SARs is seven years, (ii) the vesting period of SARs and PSAs granted to employees below the level of Executive Vice President allows for graded vesting over three years, and (iii) awards granted to the level of Executive Director and Executive Vice President cliff vest after three years, of which awards to the level of Executive Director contain performance conditions based on growth in Non-GAAP adjusted return on invested capital (Adjusted ROIC) and Non-GAAP earnings before interest, taxation, depreciation and amortization (Non-GAAP EBITDA). In 2014, the Company granted PSAs under the PSP to employees at Executive Vice President level and to a select group of senior employees, which are exercisable subject to performance and service criteria. These PSAs cliff vested after three years and contain performance conditions as explained above.

Since February 28, 2015, the Company has granted awards under the Shire Long Term Incentive Plan 2015 (LTIP). Under the LTIP, the Company grants stock-settled share appreciation rights (SARs), restricted stock units (RSUs) and performance share units (PSUs) over ordinary shares and ADSs to Executive Directors and employees. The PSUs granted under the LTIP and SARs granted to Executive Directors are exercisable subject to performance and service criteria. RSUs granted under the LTIP and SARs granted to all other employees are exercisable subject only to service criteria.

The principal terms and conditions of SARs, RSUs and PSUs granted under the LTIP are as follows: (i) the contractual life of SARs is seven years, (ii) the vesting period of SARs and RSUs granted to employees below the level of Executive Vice President allows for graded vesting, and (iii) all SARs granted to Executive Directors and employees at Executive Vice President level and all PSUs granted cliff vest after three years and, with the exception of SARs granted to employees at Executive Vice President level, contain performance conditions based on Product sales and Non-GAAP EBITDA targets; a Non-GAAP Adjusted ROIC underpin is also used at the end of the three year performance period to assess the underlying performance of the Company before determining the final vesting levels for awards with performance conditions. In addition, a further two year holding period will apply to all awards granted to Executive Directors post vesting.

The Company also operates a Global Employee Stock Purchase Plan and UK/Irish Sharesave Plans.

Replacement Awards Issued to Baxalta Employees

In connection with the acquisition of Baxalta and pursuant to the merger agreement associated with the acquisition, outstanding Baxalta equity awards held by Baxalta employees or employees of Baxter were cancelled and exchanged for Shire equity awards. The outstanding Baxalta equity awards consisted primarily of stock options and RSUs and hence were replaced with Shire's stock options and RSUs. The replacement Shire awards generally have the same terms and conditions (including vesting) as the former Baxalta awards for which they were exchanged.

The value of the replacement share-based awards granted was designed to generally preserve both the intrinsic value and the fair value of the award immediately prior to the acquisition. Following the acquisition, the Company records share-based compensation expense associated with the acquisition-date fair value of acquired Baxalta employees' replacement options and RSUs that is attributable to post-acquisition service requirements, as well as share-based compensation expense for post-acquisition service requirements associated with certain remaining unvested Baxter share-based awards held by the acquired Baxalta employees. The portions of the acquisition-date fair values of the awards that are attributable to post-combination service are recognized over the remaining service period of the awards.

The following awards were outstanding as of December 31, 2017:

	<u>Compensation type</u>	<u>Number of awards</u>	<u>Expiration period from date of issue</u>	<u>Vesting period</u>
Stock-settled SARs	SARs	15,693,527	7 years	3 years graded vesting and/or 3 years cliff vesting subject to performance criteria for Executive Directors only
UK/Irish Sharesave Plans	Stock options	184,647	6 months after vesting	3 or 5 years
Global Employee Stock Purchase Plan	Stock options	315,646	On vesting date	1 to 5 years
Baxalta Replacement Options	Stock options	<u>9,425,001</u>	10 years	3 years graded vesting
Stock-settled SARs and stock options		<u>25,618,821</u>		
RSUs, PSUs and PSAs	RSUs, PSUs and PSAs	3,258,380	3 years	3 years graded vesting, 3 years cliff vesting subject to performance criteria for Executive Directors and certain senior employees only
Baxalta Replacement RSUs . . .	RSU	<u>701,340</u>	3 years	3 years graded vesting
RSUs/PSUs and PSAs		<u>3,959,720</u>		

Stock-settled SARs and stock options

SARs under LTIP and PSP (Part A)

Stock-settled share appreciation rights (SARs) granted to Executive Directors are exercisable subject to service and performance criteria.

In respect of any award made to Executive Directors under the LTIP, performance criteria are based on Product sales and Non-GAAP EBITDA targets, with a Non-GAAP Adjusted ROIC underpin. In respect of any award made to Executive Directors under the PSP (Part A), performance criteria are based on growth in Non-GAAP Adjusted ROIC and Non-GAAP EBITDA. These performance measures are an important measure of the Company's ability to meet the strategic objective to grow value for all of its stakeholders.

Awards granted to employees below Executive Director level are not subject to performance conditions and are only subject to service conditions.

Once awards have vested, participants will have until the seventh anniversary of the date of grant to exercise their awards.

UK/Irish Sharesave Plans (Sharesave Plans)

Options granted under the Sharesave Plans are granted with an exercise price equal to 80% and 75% of the mid-market price on the day before invitations are issued to UK and Ireland employees, respectively. Employees may enter into three or five year savings contracts. No performance conditions apply.

Shire Global Employee Stock Purchase Plan (Stock Purchase Plan)

Under the Stock Purchase Plan, options are granted with an exercise price equal to 85% of the fair market value of a share on the day before the enrollment date (the first day of the offering period) or the day before the exercise date (the last day of the offering period), whichever is the lower. Employees agree to save for a period up to 12 months. No performance conditions apply.

Baxalta Replacement Options

The replacement stock options were issued consistent with the vesting conditions of the replaced award (as explained above). Replacement stock options had contractual terms of 10 years from the initial grant date. The majority of stock options outstanding vested in one-third increments over a three year period, although certain awards cliff vest or have longer or shorter service periods. The fair value on the acquisition date attributable to post-combination service, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the remaining vesting period.

A summary of the status of the Company's SARs and stock options including replacement awards as of December 31, 2017 and of the related activity during the period then ended is presented below:

<u>Year ended December 31, 2017</u>	<u>Weighted average exercise price £</u>	<u>Number of shares</u>	<u>Intrinsic value (In millions) £</u>
Outstanding as of beginning of period	38.98	21,869,833	
Granted	45.11	9,865,956	
Exercised	34.99	(3,312,318)	
Forfeited	44.00	(2,804,650)	
Outstanding as of end of period	<u>39.75</u>	<u>25,618,821</u>	<u>31.4</u>
Exercisable as of end of period	<u>35.11</u>	<u>13,329,159</u>	<u>29.3</u>

Excluded from the table above are replacement stock options issued to Baxter employees as part of the acquisition of Baxalta. The Company issued 8.8 million stock options to Baxter employees on June 3, 2016, out of which 6.2 million and 6.2 million were outstanding and exercisable, respectively, as of December 31, 2017.

The weighted average grant date fair value of SARs and stock options granted in the year ended December 31, 2017 was £9.72 (2016: £8.25; 2015: £10.36).

SARs and stock options including Baxalta Replacement Options, outstanding as of December 31, 2017 have the following characteristics:

<u>Number of awards outstanding</u>	<u>Exercise prices £</u>	<u>Weighted Average remaining contractual term (Years)</u>	<u>Weighted average exercise price of awards outstanding £</u>	<u>Number of awards exercisable</u>	<u>Weighted average exercise price of awards exercisable £</u>
2,373,820	9.27-28.00	2.4	24.47	2,367,984	24.48
9,537,750	28.01-40.00	6.3	33.64	8,010,506	33.30
<u>13,707,251</u>	40.01-70.48	5.5	46.65	<u>2,950,669</u>	48.55
<u>25,618,821</u>				<u>13,329,159</u>	

RSUs, PSUs and PSAs

RSUs and PSUs under LTIP and PSAs under PSP (Part B)

PSUs and PSAs granted to Executive Directors and employees at Executive Vice President level are exercisable subject to certain performance and service criteria.

RSUs and PSAs granted to all other employees are not subject to performance criteria and are only subject to service conditions.

The performance criteria for PSUs granted under the LTIP is based on Product sales and Non-GAAP EBITDA targets, typically with a Non-GAAP Adjusted ROIC underpin. The performance criteria for PSAs under the PSP (Part B) is based on growth in Non-GAAP Adjusted ROIC and Non-GAAP EBITDA.

Baxalta Replacement RSUs

The replacement RSUs were issued consistent with the vesting conditions of the replaced award (as explained above) and generally continue to vest in one-third increments over a three-year period. The fair value on the acquisition date attributable to post-combination service, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the remaining vesting period.

A summary of the status of the Company's RSUs, PSUs and PSAs as of December 31, 2017 and of the related activity during the period then ended is presented below:

<u>RSUs, PSUs and PSAs</u>	<u>Number of shares</u>	<u>Weighted average grant date fair value £</u>	<u>Weighted average remaining life</u>
Outstanding as of beginning of period	3,976,657	41.31	
Granted	2,520,239	45.38	
Exercised	(1,779,205)	43.23	
Forfeited	(757,971)	44.99	
Outstanding as of end of period	<u>3,959,720</u>	<u>42.33</u>	<u>4.9</u>
Exercisable as of end of period	<u>—</u>	<u>—</u>	<u>N/A</u>

Excluded from the table above are replacement RSUs issued to Baxter employees as part of the acquisition of Baxalta. The Company issued 0.5 million RSUs to Baxter employees on June 3, 2016, out of which \$nil were outstanding as of December 31, 2017.

Exercises of share-based awards

The total intrinsic values of share-based awards exercised, including those held by Baxter employees, for the years ended December 31, 2017, 2016 and 2015 were \$147.1 million, \$214.6 million and \$198.8 million, respectively. The total cash received as a result of share option exercises for the period ended December 31, 2017, 2016 and 2015 was approximately \$134.1 million, \$169.2 million and \$16.6 million, respectively. In connection with these exercises, the tax benefit credited to additional paid-in capital for the years ended December 31, 2017, 2016 and 2015 was \$nil, \$8.8 million and \$31.6 million, respectively. With the adoption of a new accounting standard on accounting for stock-based compensation, effective January 1, 2017, excess tax benefits were recognized as a component of income tax expense rather than Additional paid-in capital.

The Company will settle future awards with either newly listed ordinary shares or with shares held in the EBT. The number of shares that the EBT will purchase in 2018 is dependent on the number of awards granted and exercised during the year and Shire plc's share price. As of December 31, 2017, the EBT held 0.5 million ordinary shares and 0.2 million ADSs.

Valuation methodologies

The Company estimates the fair value of its share-based awards using a Black-Scholes valuation model. Key input assumptions used to estimate the fair value of share-based awards include the grant price of the award, the expected stock-based award term, volatility of the Company’s share price, the risk-free rate and the Company’s dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in estimating the fair values of Shire’s stock-based awards. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

The fair value of share awards granted was estimated using the following assumptions:

	<u>Years ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Risk-free interest rate	0.4-1.9%	0.29-1.6%	0.6-1.8%
Expected dividend yield	0.3-0.6%	0.3-0.5%	0.2-0.4%
Expected life	1-3.88 years	1-4 years	1-4 years
Volatility	25-29%	26-29%	23-26%
Forfeiture rate	0%	5-7%	5-7%

The following assumptions were used to value share-based awards:

- risk-free interest rate - for awards granted over ADSs, the U.S. Federal Reserve treasury constant maturities rate with a term consistent with the expected life of the award is used. For awards granted over ordinary shares, the yield on UK government bonds with a term consistent with the expected life of the award is used;
- expected dividend yield - measured as the average annualized dividend estimated to be paid by the Company over the expected life of the award as a percentage of the share price at the grant date;
- expected life - estimated based on the contractual term of the awards and the effects of employees’ expected exercise and post-vesting employment termination behavior;
- expected volatility - measured using historical daily price changes of the Company’s share price over the respective expected life of the share-based awards at the date of the award; and
- forfeiture rate - estimated using historical trends of the number of awards forfeited prior to vesting. Upon the 2017 adoption of a new rule on accounting for stock-based compensation, the Company elected to account for forfeitures in relation to service conditions as they occur. As such, the estimated forfeiture rate was 0% starting in 2017.

24. Commitments and Contingencies

Leases

Future minimum lease payments under operating leases as of December 31, 2017 are presented below:

<u>(In millions)</u>	<u>Operating leases</u>
2018	\$ 188.5
2019	164.8
2020	155.2
2021	146.6
2022	128.8
Thereafter	795.8
	<u>\$1,579.7</u>

The Company leases land, facilities, motor vehicles and certain equipment under operating leases expiring through 2032. Lease and rental expense amounted to \$167.6 million, \$100.8 million and \$40.7 million for the year ended December 31, 2017, 2016 and 2015, respectively, which is predominately included in Cost of sales and SG&A expenses in the Company's Consolidated Statement of Operations.

Letters of credit and guarantees

As of December 31, 2017 and December 31, 2016, the Company had irrevocable standby letters of credit and guarantees with various banks and insurance companies totaling \$224.8 million and \$139.7 million (being the contractual amounts), respectively, providing security for the Company's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments.

Commitments

Clinical testing

As of December 31, 2017, the Company had committed to pay approximately \$1,409.9 million (December 31, 2016: \$1,037.4 million) to contract vendors for administering and executing clinical trials. The timing of these payments is dependent upon actual services performed by the organizations as determined by patient enrollment levels and related activities.

Contract manufacturing

As of December 31, 2017, the Company had committed to pay approximately \$467.2 million (December 31, 2016: \$528.9 million) in respect of contract manufacturing. The Company expects to pay \$216.5 million of these commitments in 2018.

Other purchasing commitments

As of December 31, 2017, the Company had committed to pay approximately \$1,692.5 million (December 31, 2016: \$1,745.4 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Company expects to pay \$960.0 million of these commitments in 2018.

Investment commitments

As of December 31, 2017, the Company had outstanding commitments to purchase common stock and interests in companies and partnerships, respectively, for amounts totaling \$48.9 million (December 31, 2016: \$76.4 million) which may all be payable in 2018, depending on the timing of capital calls. The investment commitments include additional funding to certain variable interest entities (VIEs) for which Shire is not the primary beneficiary.

Capital commitments

As of December 31, 2017, the Company had committed to spend \$328.2 million (December 31, 2016: \$100.5 million) on capital projects.

Baxter related tax indemnification

Baxter International Inc. (Baxter) and Baxalta entered into a tax matters agreement, effective on the date of Baxalta's separation from Baxter, which employs a direct tracing approach, or where direct tracing approach is

not feasible, an allocation methodology, to determine which company is liable for pre-separation income tax items for U.S. federal, state and foreign jurisdictions. With respect to tax liabilities that are directly traceable or allocated to Baxalta but for which Baxalta was not the primary obligor, Baxalta recorded a tax indemnification amount that would be due to Baxter upon Baxter discharging the associated tax liability to the taxing authority.

25. Legal and Other Proceedings

The Company expenses legal costs when incurred.

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period. As of December 31, 2017, provision for litigation losses, insurance claims and other disputes totaled \$76.2 million (December 31, 2016: \$415.0 million).

The Company's principal pending legal and other proceedings are disclosed below. The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Company discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable.

MYDAYIS

On October 12, 2017, Shire was notified that Teva Pharmaceuticals USA, Inc. had submitted an abbreviated new drug application (ANDA) to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Teva Pharmaceuticals USA, Inc., Actavis Laboratories, Inc. and Teva Pharmaceutical Industries Limited (collectively the "Teva entities"). No dates for a Markman hearing or trial have been set.

Petitions to institute inter partes reviews (IPRs) against US Patent numbers 8,846,100 and 9,173,857 were filed by KVK Tech. Both of these patents are listed in the Orange Book as covering MYDAYIS and are among the patents-in-suit in the infringement action brought against the Teva entities as noted above. A decision on whether to institute the IPRs is expected on or before July 10, 2018. If one or both IPRs are instituted, a decision on the merits is expected on or before July 10, 2019.

LIALDA

In May 2010, Shire was notified that Zydus Pharmaceuticals USA, Inc. (Zydus) had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Zydus and Cadila Healthcare Limited, doing business as Zydus Cadila. A Markman hearing took place on January 29, 2015 and a Markman ruling was issued on July 28, 2015. A trial took place between March 28, 2016 and April 1, 2016. On September 16, 2016 the court issued its ruling finding that the proposed generic product would not infringe the asserted claims. Shire appealed the ruling to the Court of Appeals for the Federal Circuit (CAFC). On May 9, 2017, the CAFC affirmed the ruling of the district court. Zydus' ANDA has been approved and the generic product is now available in the U.S.

In February 2012, Shire was notified that Osmotica Pharmaceutical Corporation (Osmotica) had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA.

Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the Northern District of Georgia against Osmotica. A Markman hearing took place on August 22, 2013 and a Markman ruling was issued on September 25, 2014. The court issued an Order on February 27, 2015 in which all dates in the scheduling order were stayed. Osmotica's ANDA was withdrawn as of March 31, 2017 and the case was dismissed.

In March 2012, Shire was notified that Watson Laboratories Inc.-Florida had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the Southern District of Florida against Watson Laboratories Inc.-Florida and Watson Pharmaceuticals, Inc., Watson Pharma, Inc. and Watson Laboratories, Inc. (collectively, "Watson") were subsequently added as defendants. A trial took place in April 2013 and on May 9, 2013 the trial court issued a decision finding that the proposed generic product infringes the patent-in-suit and that the patent is not invalid. Watson appealed the trial court's ruling to the CAFC and a hearing took place on December 2, 2013. The ruling of the CAFC was issued on March 28, 2014 overruling the trial court on the interpretation of two claim terms and remanding the case for further proceedings. Shire petitioned the Supreme Court for a writ of certiorari which was granted on January 26, 2015. The Supreme Court also vacated the CAFC decision and remanded the case to the CAFC for further consideration in light of the Supreme Court's recent decision in *Teva v. Sandoz*. On June 3, 2015, the CAFC reaffirmed their previous decision to reverse the District Court's claims construction and remanded the case to the U.S. District Court for the Southern District of Florida. A trial was held on January 25-27, 2016. A ruling was issued on March 28, 2016 upholding the validity of the patent and finding that Watson's proposed ANDA product infringes the patent-in-suit. Watson appealed the ruling to the CAFC and oral argument took place on October 5, 2016. The CAFC issued a ruling on February 10, 2017 reversing the trial court's ruling of infringement and remanding the case to the lower court for entry of a ruling of non-infringement. On May 18, 2017, the lower court entered judgment of non-infringement.

In April 2012, Shire was notified that Mylan had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the Middle District of Florida against Mylan. A Markman hearing took place on December 22, 2014. A Markman ruling was issued on March 23, 2015. Following a four-day bench trial in September 2016 in the U.S. District Court for the Middle District of Florida, the court handed down a ruling that Mylan's proposed generic version of LIALDA infringes claims 1 and 3 of the Orange Book listed patent for LIALDA. In connection with this finding of infringement, the court also entered an injunction prohibiting Mylan from making, using, selling, offering for sale and/or importing their proposed ANDA product before the expiration of the patent (June 8, 2020) and requiring that the approval date for their ANDA be on or after the expiration of the patent. On June 14, 2017, the U.S. District Court for the Middle District of Florida granted Mylan's Motion for Reconsideration and entered judgment of non-infringement. Shire filed an appeal with the Court of Appeals of the Federal Circuit on July 7, 2017. No date for oral argument has been set.

In March 2015, Shire was notified that Amneal had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the U.S. District Court for the District of New Jersey against Amneal, Amneal Pharmaceuticals of New York, LLC and Amneal Pharmaceuticals Co. India Pvt. Ltd. A Markman hearing took place on July 25, 2016. A Markman ruling was issued on August 2, 2016. No trial date has been set.

In September 2015, Shire was notified that Lupin Ltd. had submitted an ANDA under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. Within the requisite 45 day period, Shire filed a lawsuit in the U.S. District Court for the District of Maryland against Lupin Ltd., Lupin Pharmaceuticals Inc., Lupin Inc. and Lupin Atlantis Holdings SA. A Markman hearing originally scheduled to take place on November 10, 2016, was cancelled and has not yet been rescheduled. No trial date has been set.

VANCOGIN

On April 6, 2012, ViroPharma Incorporated (ViroPharma) received a notification that the United States Federal Trade Commission (FTC) was conducting an investigation into whether ViroPharma had engaged in

unfair methods of competition with respect to VANCOCIN which Shire acquired in January 2014. Following the divestiture of VANCOCIN in August 2014, Shire retained certain liabilities including any potential liabilities related to the VANCOCIN citizen petition.

On August 3, 2012, and September 8, 2014, ViroPharma and Shire respectively received Civil Investigative Demands from the FTC requesting additional information related to this matter. Shire has fully cooperated with the FTC's investigation.

On February 7, 2017, the FTC filed a Complaint against Shire alleging that ViroPharma engaged in conduct in violation of U.S. antitrust laws arising from a citizen petition ViroPharma filed in 2006 related to Food & Drug Administration's policy for evaluating bioequivalence for generic versions of VANCOCIN. The complaint seeks equitable relief, including an injunction and disgorgement. The Company filed a motion to dismiss on April 10, 2017.

At this time, Shire is unable to predict the outcome or duration of this case.

ELAPRASE

On September 24, 2014, Shire's Brazilian affiliate, Shire Farmaceutica Brasil Ltda, was served with a lawsuit brought by the State of Sao Paulo and in which the Brazilian Public Attorney's office has intervened alleging that Shire is obligated to provide certain medical care including ELAPRASE for an indefinite period at no cost to patients who participated in ELAPRASE clinical trials in Brazil, and seeking recoupment to the Brazilian government for amounts paid on behalf of these patients to date, and moral damages associated with these claims.

On May 6, 2016, the trial court judge ruled on the case and dismissed all the claims under the class action, which was appealed. On February 20, 2017, the Court of Appeals in Sao Paulo issued the final decision on merit in favor of Shire and dismissed all the claims under the class action. On July 12, 2017, the Public Prosecutor filed an appeal addressed to the Supreme Court. During the last quarter of 2017, the State of Sao Paulo filed appeals addressed to the Superior Court of Justice and to the Supreme Court.

26. Shareholders' Equity

Authorized common stock

The authorized stock of Shire plc as of December 31, 2017, was 1,500,000,000 ordinary shares and 2 subscriber ordinary shares.

Dividends

Under Jersey law, Shire plc is entitled to fund payments of dividends from any source (other than a capital redemption reserve or nominal capital account) subject to the Directors authorizing the distribution making a solvency statement in the prescribed statutory form. As of December 31, 2017, Shire plc's distributable reserves were approximately \$4.2 billion.

Treasury stock

The Company records the purchase of its own shares by the EBT and under the share buy-back program as a reduction of shareholders' equity based on the price paid for the shares. As of December 31, 2017, the EBT held 0.5 million in ordinary shares (2016: 0.5 million; 2015: 0.6 million) and 0.2 million ADSs (2016: 0.2 million; 2015: 0.2 million) and shares held under the share buy-back program were 7.4 million ordinary shares (2016: 8.0 million; 2015: 8.5 million). During the years ended December 31, 2017 and 2016 the Company did not purchase any shares either through the EBT or under any share buy-back program.

Income Access Share Arrangements

Shire has put into place income access share arrangements which enable ordinary shareholders, other than ADS holders, to choose whether they receive their dividends from Shire plc, a company tax resident in the Republic of Ireland, or from Shire Biopharmaceuticals Holdings (Old Shire), a Shire group company tax resident in the UK.

Old Shire has issued one income access share to the Income Access Trust (IAS Trust), which is held by the trustee of the IAS Trust (Trustee). The mechanics of the arrangements are as follows:

- (i) If a dividend is announced or declared by Shire plc on its ordinary shares, an amount is paid by Old Shire by way of a dividend on the income access share to the Trustee, and such amount is paid by the Trustee to ordinary shareholders who have elected to receive dividends under these arrangements. The dividend which would otherwise be payable by Shire plc to its ordinary shareholders will be reduced by an amount equal to the amount paid to its ordinary shareholders by the Trustee.
- (ii) If the dividend paid on the income access share and on-paid by the Trustee to ordinary shareholders is less than the total amount of the dividend announced or declared by Shire plc on its ordinary shares, Shire plc will be obliged to pay a dividend on the relevant ordinary shares equivalent to the amount of the shortfall. In such a case, any dividend paid on the ordinary shares will generally be subject to Irish withholding tax at the rate of 20.0% or such lower rate as may be applicable under exemptions from withholding tax contained in Irish law.
- (iii) An ordinary shareholder is entitled to make an income access share election such that he/she will receive his/her dividends (which would otherwise be payable by Shire plc) under these arrangements from Old Shire. This can be done by submitting an IAS arrangement election form containing information on the participating shareholders pursuant to Shire plc's Articles of Association.

The ADS Depositary has made an election on behalf of all holders of ADSs such that they will receive dividends from Old Shire under the income access share arrangements. Dividends paid by Old Shire under the income access share arrangements will not, under current legislation, be subject to any UK or Irish withholding taxes. If a holder of ADSs does not wish to receive dividends from Old Shire under the income access share arrangements, he/she must withdraw his/her ordinary shares from the ADS program prior to the dividend record date set by the ADS Depositary and request delivery of the Shire plc ordinary shares. This will enable him/her to receive dividends from Shire plc.

It is the expectation, although there can be no certainty, that Old Shire will distribute dividends on the income access share to the Trustee for the benefit of all ordinary shareholders who make an income access share election in an amount equal to what would have been such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election. If any dividend paid on the income access share and or paid to the ordinary shareholders is less than such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election, the dividend on the income access share will be allocated pro rata among the ordinary shareholders and Shire plc will pay the balance to these ordinary shareholders by way of dividend. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

Shire will be able to suspend or terminate these arrangements at any time, in which case the full Shire plc dividend will be paid directly by Shire plc to those ordinary shareholders (including the Depositary) who have made an income access share election. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

In the year ended December 31, 2017, Old Shire paid dividends totaling \$245.6 million (2016: \$150.6 million; 2015: \$127.7 million) on the income access share to the Trustee in an amount equal to the dividend ordinary shareholders would have received from Shire plc.

27. Segment Reporting

Shire comprises one operating and reportable segment engaged in the research, development, licensing, manufacturing, marketing, distribution and sale of innovative specialist medicines to meet significant unmet patient needs. This is consistent with how the financial information is viewed for the purposes of evaluating performance, allocating resources, and planning and forecasting future periods and how the operations are managed by the Executive Committee (Shire's chief operating decision maker).

This segment is supported by several key functions: a Pipeline Committee, an In-Line Committee, a Technical Operations group and a Corporate group. The Pipeline Committee consists of R&D and Corporate Development and is responsible for prioritizing the activities towards progressing and acquiring development programs across a variety of therapeutic areas. The Technical Operations group is responsible for the Company's global supply chain. The In-line Committee focuses on commercializing marketed products and support of the development of the Company's pipeline candidates. The business is also supported by a simplified, centralized corporate function group. None of these functional groups meets all of the criteria to be considered an individual operating segment.

Geographic information

Revenues (based on the geographic location from which the sale originated):

(In millions)	Years ended December 31,		
	2017	2016	2015
Ireland	\$ 55.5	\$ 41.6	\$ 14.1
United States	9,642.1	7,666.9	4,659.2
Rest of the world	5,463.0	3,688.1	1,743.4
Total revenues	<u>\$15,160.6</u>	<u>\$11,396.6</u>	<u>\$6,416.7</u>

Long-lived assets comprise all non-current assets, (excluding goodwill and intangible assets, deferred contingent consideration assets, deferred tax assets, investments and financial instruments) based on their relevant geographic location.

(In millions)	Years ended December 31,	
	2017	2016
Ireland	\$ 94.0	\$ 41.2
United States	4,603.0	6,449.4
Austria	737.3	—
Rest of the world	1,314.3	84.0
Total	<u>\$6,748.6</u>	<u>\$6,574.6</u>

Material customers

In the periods set out below, certain customers accounted for greater than 10% of the Company's Product sales:

	Years ended December 31,					
	2017	2017	2016	2016	2015	2015
		% Product sales		% Product sales		% Product sales
(in millions, except %)						
AmerisourceBergen Corp	\$1,408.1	10	\$1,695.3	16	\$1,048.3	17
McKesson Corp.	1,333.1	9	1,336.7	12	1,044.1	17
Cardinal Health Inc.	1,079.2	7	1,052.2	10	796.9	13

Amounts outstanding in respect of these material customers were as follows:

	December 31,	
	2017	2016
(In millions)		
AmerisourceBergen Corp	\$469.9	\$427.2
McKesson Corp.	512.4	312.9
Cardinal Health Inc.	325.3	278.4

In the periods set out below, Revenues by franchise were as follows. In 2017, Immunology includes HAE from Genetic Diseases; prior year amounts have been reclassified to conform with current year presentation.

(In millions)	Years ended December 31,		
	2017	2016	2015
Product sales by franchise			
IMMUNOGLOBULIN THERAPIES	\$ 2,236.6	\$ 1,143.9	\$ —
HEREDITARY ANGIOEDEMA	1,429.6	1,310.9	1,062.7
BIO THERAPEUTICS	704.1	372.2	—
Immunology	<u>4,370.3</u>	<u>2,827.0</u>	<u>1,062.7</u>
HEMOPHILIA	2,957.3	1,789.0	—
INHIBITOR THERAPIES	828.3	451.8	—
Hematology	<u>3,785.6</u>	<u>2,240.8</u>	<u>—</u>
VYVANSE	2,161.1	2,013.9	1,722.2
ADDERALL XR	348.0	363.8	362.8
MYDAYIS	21.6	—	—
Other Neuroscience	133.4	112.8	115.4
Neuroscience	<u>2,664.1</u>	<u>2,490.5</u>	<u>2,200.4</u>
LIALDA/MEZAVANT	569.4	792.1	684.4
GATTEX/REVESTIVE	335.5	219.4	141.7
PENTASA	313.2	309.4	305.8
NATPARA/NATPAR	147.4	85.3	24.4
Other Internal Medicine	304.8	349.3	344.3
Internal Medicine	<u>1,670.3</u>	<u>1,755.5</u>	<u>1,500.6</u>
ELAPRASE	615.7	589.0	552.6
REPLAGAL	472.1	452.4	441.2
VPRIV	349.9	345.7	342.4
Genetic Diseases	<u>1,437.7</u>	<u>1,387.1</u>	<u>1,336.2</u>
Oncology	<u>261.7</u>	<u>130.5</u>	<u>—</u>
Ophthalmics	<u>259.2</u>	<u>54.4</u>	<u>—</u>
Total Product sales	<u>14,448.9</u>	<u>10,885.8</u>	<u>6,099.9</u>
Royalties and other revenues			
Royalties	448.4	382.6	300.5
Other revenues	263.3	128.2	16.3
Total royalties and other revenues	<u>711.7</u>	<u>510.8</u>	<u>316.8</u>
Total revenues	<u>\$15,160.6</u>	<u>\$11,396.6</u>	<u>\$6,416.7</u>

28. Agreements and Transactions with Baxter

In connection with Baxalta's separation from Baxter on July 1, 2015, Baxalta and Baxter entered into several separation-related agreements that provided a framework for Baxalta's relationship with Baxter after the separation. These agreements, among others, included a manufacturing and supply agreement, a transition services agreement and a tax matters agreement.

Under the terms of the manufacturing and supply agreement, the Company manufactures certain products and materials and sells them to Baxter at an agreed-upon price reflecting the Company's cost plus a

mark-up for certain products and materials. The Company reported revenues associated with the manufacturing and supply agreement with Baxter during the year ended December 31, 2017 and 2016 of approximately \$137.3 million and \$81.0 million, respectively. The 2016 reported revenues were for the period from June 3, 2016 acquisition date through December 31, 2016.

Under the terms of the transition services agreement, the Company and Baxter provide various services to each other on an interim, transitional basis. The services provided by Baxter to the Company include certain finance, information technology, human resources, quality, supply chain and other administrative services and functions, and are generally provided on a cost-plus basis. Certain of these services extend through June 30, 2018. The Company reported Selling, general and administrative expenses associated with the transition services agreement with Baxter during the year ended December 31, 2017 and 2016 of approximately \$52.3 million and \$54.0 million, respectively. The 2016 reported expenses were for the period from June 3, 2016 acquisition date through December 31, 2016.

For a certain portion of Baxalta's non U.S. operations, the legal transfer of net assets from Baxter had not occurred by the June 3, 2016 acquisition date due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the international commercial operations agreement with Baxter, the Company is responsible for the business activities conducted by Baxter on its behalf, and is subject to the risks and entitled to the benefits generated by these operations and assets. As a result, the related assets and liabilities and results of operations are reported in the Company's Consolidated Financial Statements following the acquisition of Baxalta. The majority of these operations were transferred to the Company on December 31, 2016. Net sales related to these operations for the year ended December 31, 2017 were \$nil (2016: \$101.0 million). The outstanding balance of the assets and liabilities related to these operations was \$nil as of December 31, 2017. As of December 31, 2016 the assets and liabilities of these operations consisted of \$11.0 million of inventories, which were reported in Inventories on the Consolidated Balance Sheet, other assets of \$50.0 million, which were reported as Prepaid expenses and other current assets, and liabilities of \$3.0 million, which were reported in Other current liabilities.

The tax matters agreement governs Baxter and Baxalta's and now the Company's respective rights, responsibilities and obligations after the distribution with respect to taxes for any tax period ending on or before the distribution date, as well as tax periods beginning before and ending after the distribution date. In addition, the tax matters agreement addresses the allocation of liability for taxes that were incurred as a result of restructuring activities undertaken to effectuate the distribution and provides for Baxalta to indemnify Baxter against any tax liabilities resulting from Baxalta's action or inaction that causes the merger-related transactions to be taxable. Net tax-related indemnification liabilities as of December 31, 2017 associated with the tax matters agreement with Baxter are discussed in Note 24, Commitments and Contingencies, of these Consolidated Financial Statements.

As of December 31, 2017, the Company had total amounts due from or to Baxter of \$103.1 million (2016: \$189.0 million) reported in Prepaid expenses and other current assets, \$63.2 million (2016: \$72.0 million) reported in Other current liabilities and \$59.6 million (2016: \$92.0 million) reported in Other non-current liabilities.

29. Subsequent Events

On January 25, 2018, Shire entered into a licensing agreement with AB Biosciences Inc (AB Biosciences). The license grants Shire exclusive worldwide rights to develop and commercialize a recombinant immunoglobulin product candidate. Under the terms of the agreement, AB Biosciences will grant Shire an exclusive, worldwide license to its intellectual property relating to its pan receptor interacting molecule program. AB Biosciences will receive an upfront license fee payment and is eligible to receive contingent research, development, and commercialization milestones as well as royalty payments.

On January 8, 2018, Shire announced that the first stage of its strategic review of its Neuroscience business was completed. The Board concluded that the Neuroscience business warrants additional focus and investment and that there is a strong business rationale for creating two distinct businesses within Shire: a Rare Disease business and a Neuroscience business. The Company expects to report the operational performance metrics of each business separately beginning with the first quarter of 2018.

30. Guarantor Financial Information

On June 3, 2016, Shire plc provided full and unconditional, joint and several guarantees of the floating rate senior notes due 2018, 2.0% senior notes due 2018, 2.875% senior notes due 2020, 3.6% senior notes due 2022, 4.0% senior notes due 2025 and 5.25% senior notes due 2045 (collectively, “Baxalta Notes”), of Baxalta Inc., a 100% owned subsidiary of the Company. Amounts related to Baxalta Inc. and its subsidiaries are included in the condensed consolidating financial information for periods subsequent to June 3, 2016, the date of Baxalta Inc.’s acquisition.

On September 23, 2016, Shire plc provided full and unconditional, joint and several guarantees of the 1.90% senior notes due 2019, 2.40% senior notes due 2021, 2.875% senior notes due 2023 and 3.20% senior notes due 2026, of SAIIDAC (collectively, “SAIIDAC Notes”), a 100% owned subsidiary of the Company.

On December 1, 2016, Baxalta Inc., a wholly-owned subsidiary of Shire plc, became a guarantor to the SAIIDAC Notes. Accordingly, both Baxalta Inc. and Shire plc are now co-guarantors of the SAIIDAC Notes.

In accordance with the requirements of SEC Regulation S-X Rule 3-10 “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered”, the following tables present Condensed Consolidating Financial Statements of the two separate guarantee structures of the Baxalta Notes and SAIIDAC Notes, for:

- Shire plc - Parent Guarantor;
- SAIIDAC Subsidiary Issuer - issuer subsidiary of the SAIIDAC Notes; (a)
- Baxalta Inc. - issuer subsidiary of the Baxalta Notes and guarantor subsidiary of the SAIIDAC Notes; (b)
- Non-Guarantor Non-Issuer Subsidiaries - presents all other subsidiaries of the Parent Guarantor on a combined basis, none of which guarantee the Baxalta Notes or SAIIDAC Notes; (c)
- Non-Guarantor Subsidiaries of Baxalta Notes - presents combined Non-Guarantor Non-Issuer Subsidiaries, including SAIIDAC, under the guarantee structure where Baxalta Inc. is the subsidiary issuer (a+c); and
- Eliminations - primarily relate to eliminations of investments in subsidiaries and intercompany balances and transactions.

The Condensed Consolidating Financial Statements present investments in subsidiaries using the equity method of accounting.

Condensed Consolidating Balance Sheets
(In millions)

As of December 31, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ —	\$ —	\$ 0.5	\$ 471.9	\$ 471.9	\$ —	\$ 472.4
Restricted cash	—	—	—	39.4	39.4	—	39.4
Accounts receivable, net	—	—	—	3,009.8	3,009.8	—	3,009.8
Inventories	—	—	—	3,291.5	3,291.5	—	3,291.5
Prepaid expenses and other current assets	—	1.6	95.2	698.5	700.1	—	795.3
Intercompany receivables	—	120.2	—	4,682.3	4,802.5	(4,802.5)	—
Short term intercompany loan receivable	—	2,006.3	—	—	2,006.3	(2,006.3)	—
Total current assets	—	2,128.1	95.7	12,193.4	14,321.5	(6,808.8)	7,608.4
Investments	43,204.3	—	38,924.6	13,059.4	13,059.4	(94,947.2)	241.1
Property, plant and equipment (PP&E), net	—	—	7.6	6,627.8	6,627.8	—	6,635.4
Goodwill	—	—	—	19,831.7	19,831.7	—	19,831.7
Intangible assets, net	—	—	—	33,046.1	33,046.1	—	33,046.1
Deferred tax asset	—	—	304.1	188.8	188.8	(304.1)	188.8
Long term intercompany loan receivable	—	12,050.2	1,609.3	—	12,050.2	(13,659.5)	—
Other non-current assets	—	2.8	—	202.6	205.4	—	205.4
Total assets	\$ 43,204.3	\$ 14,181.1	\$ 40,941.3	\$ 85,149.8	\$ 99,330.9	\$ (115,719.6)	\$ 67,756.9
LIABILITIES AND EQUITY							
Current liabilities:							
Accounts payable and accrued expenses	\$ 0.2	\$ 85.9	\$ 18.1	\$ 4,080.3	\$ 4,166.2	\$ —	\$ 4,184.5
Short term borrowings and capital leases	—	2,006.3	748.8	33.6	2,039.9	—	2,788.7
Intercompany payables	3,585.3	—	1,217.2	—	—	(4,802.5)	—
Short term intercompany loan payable	—	—	—	2,006.3	2,006.3	(2,006.3)	—
Other current liabilities	573.5	—	10.7	324.6	324.6	—	908.8
Total current liabilities	4,159.0	2,092.2	1,994.8	6,444.8	8,537.0	(6,808.8)	7,882.0
Long term borrowings and capital leases	—	12,050.2	4,308.9	393.3	12,443.5	—	16,752.4
Deferred tax liability	—	—	—	5,052.3	5,052.3	(304.1)	4,748.2
Long term intercompany loan payable	2,868.9	—	—	10,790.6	10,790.6	(13,659.5)	—

As of December 31, 2017	Share plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Other non-current liabilities	—	—	70.0	2,127.9	2,127.9	—	2,197.9
Total liabilities	<u>7,027.9</u>	<u>14,142.4</u>	<u>6,373.7</u>	<u>24,808.9</u>	<u>38,951.3</u>	<u>(20,772.4)</u>	<u>31,580.5</u>
Total equity	<u>36,176.4</u>	<u>38.7</u>	<u>34,567.6</u>	<u>60,340.9</u>	<u>60,379.6</u>	<u>(94,947.2)</u>	<u>36,176.4</u>
Total liabilities and equity	<u>\$ 43,204.3</u>	<u>\$ 14,181.1</u>	<u>\$ 40,941.3</u>	<u>\$ 85,149.8</u>	<u>\$ 99,330.9</u>	<u>\$ (115,719.6)</u>	<u>\$ 67,756.9</u>

Condensed Consolidating Balance Sheets
(In millions)

As of December 31, 2016	Shire plc (Parent Guarantor)	SAIIDAC Notes Subsidiary (SAIIDAC Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ —	\$ —	\$ 41.7	\$ 487.1	\$ 487.1	\$ —	\$ 528.8
Restricted cash	—	—	—	25.6	25.6	—	25.6
Accounts receivable, net	—	—	—	2,616.5	2,616.5	—	2,616.5
Inventories	—	—	—	3,562.3	3,562.3	—	3,562.3
Prepaid expenses and other current assets	1.8	—	97.1	707.4	707.4	—	806.3
Intercompany receivables	—	120.5	—	5,154.4	5,274.9	(5,274.9)	—
Short term intercompany loan receivable	—	2,594.8	—	—	2,594.8	(2,594.8)	—
Total current assets	1.8	2,715.3	138.8	12,553.3	15,268.6	(7,869.7)	7,539.5
Investments	35,656.1	—	34,644.2	12,571.8	12,571.8	(82,680.5)	191.6
Property, plant and equipment (PP&E), net	—	—	27.4	6,442.2	6,442.2	—	6,469.6
Goodwill	—	—	—	17,888.2	17,888.2	—	17,888.2
Intangible assets, net	—	—	—	34,697.5	34,697.5	—	34,697.5
Deferred tax asset	—	—	273.0	96.7	96.7	(273.0)	96.7
Long term intercompany loan receivable	—	14,431.0	480.7	—	14,431.0	(14,911.7)	—
Other non-current assets	3.9	—	33.8	114.6	114.6	—	152.3
Total assets	\$35,661.8	\$17,146.3	\$35,597.9	\$84,364.3	\$101,510.6	\$(105,734.9)	\$67,035.4
LIABILITIES AND EQUITY							
Current liabilities:							
Accounts payable and accrued expenses	\$ 1.3	\$ 85.7	\$ 20.0	\$ 4,205.4	\$ 4,291.1	\$ —	\$ 4,312.4
Short term borrowings and capital leases	450.0	2,594.8	—	23.2	2,618.0	—	3,068.0
Intercompany payables	5,247.1	—	27.8	—	—	(5,274.9)	—
Short term intercompany loan payable	—	—	—	2,594.8	2,594.8	(2,594.8)	—
Other current liabilities	—	—	64.6	298.3	298.3	—	362.9
Total current liabilities	5,698.4	2,680.5	112.4	7,121.7	9,802.2	(7,869.7)	7,743.3
Long term borrowings and capital leases	—	14,431.0	5,063.6	405.2	14,836.2	—	19,899.8
Deferred tax liability	—	—	—	8,595.7	8,595.7	(273.0)	8,322.7
Long term intercompany loan payable	610.1	—	—	14,301.6	14,301.6	(14,911.7)	—
Other non-current liabilities	405.3	—	61.8	1,654.5	1,654.5	—	2,121.6
Total liabilities	6,713.8	17,111.5	5,237.8	32,078.7	49,190.2	(23,054.4)	38,087.4
Total equity	28,948.0	34.8	30,360.1	52,285.6	52,320.4	(82,680.5)	28,948.0
Total liabilities and equity	\$35,661.8	\$17,146.3	\$35,597.9	\$84,364.3	\$101,510.6	\$(105,734.9)	\$67,035.4

Condensed Consolidating Statements of Operations
(In millions)

Year ended December 31, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$—	\$ —	\$14,448.9	\$14,448.9	\$ —	\$14,448.9
Royalties and other revenues	—	—	—	711.7	711.7	—	711.7
Total revenues	—	—	—	15,160.6	15,160.6	—	15,160.6
Costs and expenses:							
Cost of sales	—	—	—	4,700.8	4,700.8	—	4,700.8
Research and development	—	—	—	1,763.3	1,763.3	—	1,763.3
Selling, general and administrative	5.8	—	13.6	3,511.5	3,511.5	—	3,530.9
Amortization of acquired intangible assets	—	—	2.2	1,766.2	1,766.2	—	1,768.4
Integration and acquisition costs	168.2	—	110.6	615.7	615.7	—	894.5
Reorganization costs	—	—	—	47.9	47.9	—	47.9
Gain on sale of product rights	—	—	—	(0.4)	(0.4)	—	(0.4)
Total operating expenses ...	174.0	—	126.4	12,405.0	12,405.0	—	12,705.4
Operating income/(loss) from continuing operations	(174.0)	—	(126.4)	2,755.6	2,755.6	—	2,455.2
Interest income/(expense), net	(145.8)	3.6	(91.4)	(335.6)	(332.0)	—	(569.2)
Other income/(expense), net	2.2	—	4.4	0.8	0.8	—	7.4
Total other income/ (expense), net	(143.6)	3.6	(87.0)	(334.8)	(331.2)	—	(561.8)
Income/(loss) from continuing operations before income taxes and equity in earnings/(losses) of equity method investees							
Income taxes	(317.6)	3.6	(213.4)	2,420.8	2,424.4	—	1,893.4
Equity in earnings/(losses) of equity method investees, net of taxes	3.5	(0.9)	7.5	2,347.5	2,346.6	—	2,357.6
Income/(loss) from continuing operations, net of taxes	4,585.6	—	1,572.8	2.5	2.5	(6,158.4)	2.5
Gain from discontinued operations, net of taxes ...	—	—	—	18.0	18.0	—	18.0
Net income/(loss)	4,271.5	2.7	1,366.9	4,770.8	4,773.5	(6,158.4)	4,253.5
Comprehensive income/ (loss)	—	—	—	18.0	18.0	—	18.0
Comprehensive income/ (loss)	4,271.5	2.7	1,366.9	4,788.8	4,791.5	(6,158.4)	4,271.5
Comprehensive income/ (loss)	\$7,144.1	\$ 2.7	\$3,963.5	\$ 7,655.6	\$ 7,658.3	\$(11,621.8)	\$ 7,144.1

Condensed Consolidating Statements of Operations

(In millions)

Year ended December 31, 2016	Shire plc (Parent Guarantor)	SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$ —	\$ —	\$10,885.8	\$10,885.8	\$ —	\$10,885.8
Royalties and other revenues	—	—	—	510.8	510.8	—	510.8
Total revenues	—	—	—	11,396.6	11,396.6	—	11,396.6
Costs and expenses:							
Cost of sales	—	—	—	3,816.5	3,816.5	—	3,816.5
Research and development	—	—	0.4	1,439.4	1,439.4	—	1,439.8
Selling, general and administrative	59.8	—	29.4	2,926.0	2,926.0	—	3,015.2
Amortization of acquired intangible assets	—	—	—	1,173.4	1,173.4	—	1,173.4
Integration and acquisition costs	—	—	302.0	581.9	581.9	—	883.9
Reorganization costs	—	—	—	121.4	121.4	—	121.4
Gain on sale of product rights	—	—	—	(16.5)	(16.5)	—	(16.5)
Total operating expenses	59.8	—	331.8	10,042.1	10,042.1	—	10,433.7
Operating income/(loss) from continuing operations	(59.8)	—	(331.8)	1,354.5	1,354.5	—	962.9
Interest income/(expense), net	(100.6)	36.5	(45.1)	(342.0)	(305.5)	—	(451.2)
Other income/(expense), net	0.9	—	2.7	(29.2)	(29.2)	—	(25.6)
Total other income/(expense), net	(99.7)	36.5	(42.4)	(371.2)	(334.7)	—	(476.8)
Income/(loss) from continuing operations before income taxes and equity in earnings/ (losses) of equity method investees	(159.5)	36.5	(374.2)	983.3	1,019.8	—	486.1
Income taxes	4.3	(9.1)	88.9	42.0	32.9	—	126.1
Equity in earnings/(losses) of equity method investees, net of taxes	482.6	—	(657.5)	(8.7)	(8.7)	174.9	(8.7)
Income/(loss) from continuing operations, net of taxes	327.4	27.4	(942.8)	1,016.6	1,044.0	174.9	603.5
Loss from discontinued operations, net of taxes	—	—	—	(276.1)	(276.1)	—	(276.1)
Net income/(loss)	327.4	27.4	(942.8)	740.5	767.9	174.9	327.4
Comprehensive income/(loss)	\$(986.4)	\$27.4	\$(2,148.9)	\$ (572.9)	\$ (545.5)	\$2,694.4	\$ (986.4)

Condensed Consolidating Statements of Operations
(In millions)

Year ended December 31, 2015	Shire plc (Parent Guarantor)	SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$—	\$—	\$6,099.9	\$6,099.9	\$ —	\$6,099.9
Royalties and other revenues	—	—	—	316.8	316.8	—	316.8
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,416.7</u>	<u>6,416.7</u>	<u>—</u>	<u>6,416.7</u>
Costs and expenses:							
Cost of sales	—	—	—	969.0	969.0	—	969.0
Research and development	—	—	—	1,564.0	1,564.0	—	1,564.0
Selling, general and administrative	24.9	—	—	1,816.2	1,816.2	1.4	1,842.5
Amortization of acquired intangible assets	—	—	—	498.7	498.7	—	498.7
Integration and acquisition costs	—	—	—	39.8	39.8	—	39.8
Reorganization costs	—	—	—	97.9	97.9	—	97.9
Gain on sale of product rights	—	—	—	(14.7)	(14.7)	—	(14.7)
Total operating expenses	<u>24.9</u>	<u>—</u>	<u>—</u>	<u>4,970.9</u>	<u>4,970.9</u>	<u>1.4</u>	<u>4,997.2</u>
Operating income/(loss) from continuing operations	(24.9)	—	—	1,445.8	1,445.8	(1.4)	1,419.5
Interest income/(expense), net	(63.6)	(1.7)	—	27.9	26.2	—	(37.4)
Other income/(expense), net	0.9	—	—	2.8	2.8	—	3.7
Total other income/(expense), net	<u>(62.7)</u>	<u>(1.7)</u>	<u>—</u>	<u>30.7</u>	<u>29.0</u>	<u>—</u>	<u>(33.7)</u>
Income/(loss) from continuing operations before income taxes and equity in earnings/ (losses) of equity method investees	(87.6)	(1.7)	—	1,476.5	1,474.8	(1.4)	1,385.8
Income taxes	2.9	—	—	(49.0)	(49.0)	—	(46.1)
Equity in earnings/(losses) of equity method investees, net of taxes	1,388.1	—	—	(2.2)	(2.2)	(1,388.1)	(2.2)
Income/(loss) from continuing operations, net of taxes	<u>1,303.4</u>	<u>(1.7)</u>	<u>—</u>	<u>1,425.3</u>	<u>1,423.6</u>	<u>(1,389.5)</u>	<u>1,337.5</u>
Loss from discontinued operations, net of taxes	—	—	—	(34.1)	(34.1)	—	(34.1)
Net income/(loss)	<u>1,303.4</u>	<u>(1.7)</u>	<u>—</u>	<u>1,391.2</u>	<u>1,389.5</u>	<u>(1,389.5)</u>	<u>1,303.4</u>
Comprehensive income/(loss)	<u>\$1,151.1</u>	<u>\$(1.7)</u>	<u>\$—</u>	<u>\$1,238.9</u>	<u>\$1,237.2</u>	<u>\$(1,237.2)</u>	<u>\$1,151.1</u>

Condensed Consolidating Statements of Cash Flows
(In millions)

Year ended December 31, 2017	Shire plc (Parent Guarantor)	SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net cash provided by/(used in) operating activities	\$ —	\$ 6.6	\$ (13.1)	\$ 4,263.2	\$ 4,269.8	\$ —	\$ 4,256.7
CASH FLOWS FROM INVESTING ACTIVITIES:							
Transactions with subsidiaries	(10,349.3)	(2,670.2)	(5,604.9)	(21,427.5)	(24,097.7)	40,051.9	—
Purchases of PP&E	—	—	—	(798.8)	(798.8)	—	(798.8)
Proceeds/(payment) from sale of investments	—	—	(9.7)	98.3	98.3	—	88.6
Movements in restricted cash	—	—	—	(13.7)	(13.7)	—	(13.7)
Other, net	—	—	—	23.0	23.0	—	23.0
Net cash provided by/(used in) investing activities	(10,349.3)	(2,670.2)	(5,614.6)	(22,118.7)	(24,788.9)	40,051.9	(700.9)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from revolving line of credit, long term and short term borrowings	2,110.0	1,610.0	—	516.7	2,126.7	—	4,236.7
Repayment of revolving line of credit, long term and short term borrowings	(2,560.0)	(4,600.0)	—	(521.4)	(5,121.4)	—	(7,681.4)
Proceeds from intercompany borrowings	10,801.5	5,653.6	5,582.6	18,014.2	23,667.8	(40,051.9)	—
Payment of dividend	(35.8)	—	—	(245.5)	(245.5)	—	(281.3)
Proceeds from issuance of stock for share-based compensation	33.6	—	4.8	95.7	95.7	—	134.1
Other, net	—	—	(0.9)	(26.5)	(26.5)	—	(27.4)
Net cash provided by/(used in) financing activities	10,349.3	2,663.6	5,586.5	17,833.2	20,496.8	(40,051.9)	(3,619.3)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	7.1	7.1	—	7.1
Net decrease in cash and cash equivalents	—	—	(41.2)	(15.2)	(15.2)	—	(56.4)
Cash and cash equivalents at beginning of period	—	—	41.7	487.1	487.1	—	528.8
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 0.5	\$ 471.9	\$ 471.9	\$ —	\$ 472.4

Condensed Consolidating Statements of Cash Flows
(In millions)

Year ended December 31, 2016	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net cash provided by/(used in) operating activities . . .	\$ (136.9)	\$ 232.8	\$ (51.0)	\$ 2,614.0	\$ 2,846.8	\$ —	\$ 2,658.9
CASH FLOWS FROM INVESTING ACTIVITIES:							
Transactions with subsidiaries	(2,890.0)	(18,228.8)	(480.7)	(4,707.3)	(22,936.1)	26,306.8	—
Purchases of PP&E	—	—	(11.1)	(637.6)	(637.6)	—	(648.7)
Purchases of businesses, net of cash acquired	—	—	—	(17,476.2)	(17,476.2)	—	(17,476.2)
Proceeds from sale of investments	—	—	—	0.9	0.9	—	0.9
Movements in restricted cash	—	—	—	62.8	62.8	—	62.8
Other, net	—	—	—	(31.0)	(31.0)	—	(31.0)
Net cash provided by/(used in) investing activities . . .	(2,890.0)	(18,228.8)	(491.8)	(22,788.4)	(41,017.2)	26,306.8	(18,092.2)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from revolving line of credit, long term and short term borrowings . . .	2,355.0	30,079.9	—	8.5	30,088.4	—	32,443.4
Repayment of revolving line of credit, long term and short term borrowings . . .	(3,405.0)	(13,009.2)	—	9.9	(12,999.3)	—	(16,404.3)
Proceeds from intercompany borrowings	4,077.8	1,097.6	521.9	20,609.5	21,707.1	(26,306.8)	—
Payment of dividend	(20.7)	—	—	(150.6)	(150.6)	—	(171.3)
Debt issuance costs	—	(172.3)	—	—	(172.3)	—	(172.3)
Proceeds from issuance of stock for share-based compensation	19.8	—	132.9	16.5	16.5	—	169.2
Other, net	—	—	(70.3)	31.4	31.4	—	(38.9)
Net cash provided by/(used in) financing activities . . .	3,026.9	17,996.0	584.5	20,525.2	38,521.2	(26,306.8)	15,825.8
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	0.8	0.8	—	0.8
Net decrease in cash and cash equivalents	—	—	41.7	351.6	351.6	—	393.3
Cash and cash equivalents at beginning of period	—	—	—	135.5	135.5	—	135.5
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 41.7	\$ 487.1	\$ 487.1	\$ —	\$ 528.8

Condensed Consolidating Statements of Cash Flows
(In millions)

Year ended December 31, 2015	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net cash provided by/(used in) operating activities . . .	\$ (133.5)	\$—	\$—	\$ 2,470.5	\$ 2,470.5	\$ —	\$ 2,337.0
CASH FLOWS FROM INVESTING ACTIVITIES:							
Transactions with subsidiaries	(3,570.0)	—	—	(3,048.2)	(3,048.2)	6,618.2	—
Purchases of PP&E	—	—	—	(114.7)	(114.7)	—	(114.7)
Purchases of businesses, net of cash acquired	—	—	—	(5,553.4)	(5,553.4)	—	(5,553.4)
Proceeds from sale of investments	—	—	—	85.7	85.7	—	85.7
Movements in restricted cash	—	—	—	(32.0)	(32.0)	—	(32.0)
Other, net	—	—	—	(5.5)	(5.5)	—	(5.5)
Net cash provided by/(used in) investing activities	(3,570.0)	—	—	(8,668.1)	(8,668.1)	6,618.2	(5,619.9)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from revolving line of credit, long term and short term borrowings	3,760.0	—	—	0.8	0.8	—	3,760.8
Repayment of revolving line of credit, long term and short term borrowings	(3,110.0)	—	—	(0.9)	(0.9)	—	(3,110.9)
Proceeds from intercompany borrowings	3,048.2	—	—	3,570.0	3,570.0	(6,618.2)	—
Payment of dividend	(6.8)	—	—	(127.6)	(127.6)	—	(134.4)
Debt issuance costs	(4.5)	—	—	(19.6)	(19.6)	—	(24.1)
Proceeds from issuance of stock for share-based compensation	16.6	—	—	—	—	—	16.6
Other, net	—	—	—	(69.0)	(69.0)	—	(69.0)
Net cash provided by/(used in) financing activities	3,703.5	—	—	3,353.7	3,353.7	(6,618.2)	439.0
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	(3.0)	(3.0)	—	(3.0)
Net decrease in cash and cash equivalents	—	—	—	(2,846.9)	(2,846.9)	—	(2,846.9)
Cash and cash equivalents at beginning of period	—	—	—	2,982.4	2,982.4	—	2,982.4
Cash and cash equivalents at end of period	\$ —	\$—	\$—	\$ 135.5	\$ 135.5	\$ —	\$ 135.5

Quarterly results of operations (Unaudited)

The following table presents summarized unaudited quarterly results for the years to December 31, 2017 and 2016:

2017	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
(In millions, except per share data)				
Total revenues	\$3,572.3	\$3,745.8	\$3,697.6	\$4,144.9
Cost of product sales	1,327.0	1,108.9	1,001.4	1,263.5
Income from continuing operations, net of taxes	354.8	241.5	551.2	3,106.0
Gain/(loss) from discontinued operations, net of taxes	20.2	(1.2)	(0.4)	(0.6)
Net income	375.0	240.3	550.8	3,105.4
Earnings per ordinary share - basic				
Earnings from continuing operations	\$ 0.39	\$ 0.27	\$ 0.61	\$ 3.42
Gain from discontinued operations	0.02	—	—	—
Earnings per share - basic	\$ 0.41	\$ 0.27	\$ 0.61	\$ 3.42
Earnings per ordinary share - diluted				
Earnings from continuing operations	\$ 0.39	\$ 0.26	\$ 0.60	\$ 3.41
Gain from discontinued operations	0.02	—	—	—
Earnings per share - diluted	\$ 0.41	\$ 0.26	\$ 0.60	\$ 3.41
2016	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
(In millions, except per share data)				
Total revenues	\$1,709.3	\$2,429.1	\$3,452.1	\$3,806.1
Cost of product sales	248.6	778.1	1,736.2	1,053.6
Income/(loss) from continuing operations, net of taxes	409.5	86.6	(368.5)	475.9
Gain/(loss) from discontinued operations, net of taxes	9.5	(248.7)	(18.3)	(18.6)
Net income/(loss)	419.0	(162.1)	(386.8)	457.3
Earnings per ordinary share - basic				
Earnings/(loss) from continuing operations	\$ 0.69	\$ 0.12	\$ (0.41)	\$ 0.53
Gain/(loss) from discontinued operations	0.02	(0.36)	(0.02)	(0.02)
Earnings/(loss) per share - basic	\$ 0.71	\$ (0.24)	\$ (0.43)	\$ 0.51
Earnings per ordinary share - diluted				
Earnings/(loss) from continuing operations	\$ 0.69	\$ 0.12	\$ (0.41)	\$ 0.52
Earnings/(loss) from discontinued operations	0.02	(0.36)	(0.02)	(0.02)
Earnings/(loss) per share - diluted	\$ 0.71	\$ (0.24)	\$ (0.43)	\$ 0.50

Schedule II - Valuation and Qualifying Accounts

<u>Provision for sales rebates, returns, coupons and deferred tax asset valuation allowance</u>	<u>Beginning balance</u>	<u>Provision charged to income</u>	<u>Additions through acquisitions</u>	<u>Utilization / cash payments</u>	<u>Ending balance</u>
(In millions)					
2017:					
Accrued rebates - Medicaid and HMOs	\$1,431.3	\$3,069.8	\$ —	\$(2,888.4)	\$1,612.7
Sales returns reserve	118.4	105.0	—	(47.7)	175.7
Accrued coupons	71.3	291.5	—	(310.4)	52.4
Deferred tax asset valuation allowance	569.4	81.4	—	(15.1)	635.7
2016:					
Accrued rebates - Medicaid and HMOs	\$ 982.4	\$2,702.4	\$185.8	\$(2,439.3)	\$1,431.3
Sales returns reserve	128.3	19.5	—	(29.4)	118.4
Accrued coupons	26.6	236.9	—	(192.2)	71.3
Deferred tax asset valuation allowance	416.1	166.4	—	(13.1)	569.4
2015:					
Accrued rebates - Medicaid and HMOs	\$ 882.1	\$2,128.0	\$ —	\$(2,027.7)	\$ 982.4
Sales returns reserve	131.7	19.4	—	(22.8)	128.3
Accrued coupons	20.1	140.5	—	(134.0)	26.6
Deferred tax asset valuation allowance	324.7	81.5	98.9	(89.0)	416.1

In the analysis above, due to systems limitations, it is not practical and has not been necessary to break out current versus prior year activity. When applicable, Shire has performed general ledger reviews of sales deduction provisions charged to income, and the utilization of these provisions in subsequent years. Shire has determined that adjustments made in each year as a result of changes to estimates that related to prior year sales, and adjustments made as a result of differences between prior period provisions and actual payments, did not have a material impact on the Company's financial performance or position either in each individual year, or in the Company's performance over the reported period.

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Unaudited Consolidated Financial Statements of Shire plc

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SHIRE PLC
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except par value of shares)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 193.2	\$ 472.4
Restricted cash	39.9	39.4
Accounts receivable, net	3,207.4	3,009.8
Inventories	3,458.7	3,291.5
Other current assets	<u>900.1</u>	<u>795.3</u>
Total current assets	7,799.3	7,608.4
Investments	470.7	241.1
Property, plant and equipment (PP&E), net	6,453.0	6,635.4
Goodwill	19,095.0	19,831.7
Intangible assets, net	29,625.4	33,046.1
Deferred tax asset	151.2	188.8
Other non-current assets	<u>171.3</u>	<u>205.4</u>
Total assets	<u>\$63,765.9</u>	<u>\$67,756.9</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,025.1	\$ 4,184.5
Short term borrowings and capital leases	4,248.7	2,788.7
Other current liabilities	<u>237.8</u>	<u>908.8</u>
Total current liabilities	8,511.6	7,882.0
Long term borrowings and capital leases	11,098.0	16,752.4
Deferred tax liability	4,571.2	4,748.2
Other non-current liabilities	<u>2,294.9</u>	<u>2,197.9</u>
Total liabilities	<u>26,475.7</u>	<u>31,580.5</u>
Commitments and contingencies		
Equity:		
Common stock of 5p par value; 1,500 shares authorized; and 922.1 shares issued and outstanding (2017: 1,500 shares authorized; and 917.1 shares issued and outstanding)	81.9	81.6
Additional paid-in capital	25,390.2	25,082.2
Treasury stock: 7.5 shares (2017: 8.4 shares)	(260.7)	(283.0)
Accumulated other comprehensive income	626.4	1,375.0
Retained earnings	<u>11,452.4</u>	<u>9,920.6</u>
Total equity	<u>37,290.2</u>	<u>36,176.4</u>
Total liabilities and equity	<u>\$63,765.9</u>	<u>\$67,756.9</u>

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenues:				
Product sales	\$3,752.8	\$3,533.8	\$11,198.5	\$10,537.9
Royalties and other revenues	118.9	163.8	358.4	477.8
Total revenues	<u>3,871.7</u>	<u>3,697.6</u>	<u>11,556.9</u>	<u>11,015.7</u>
Costs and expenses:				
Cost of sales	1,157.6	1,001.4	3,398.3	3,437.3
Research and development	407.2	402.8	1,240.0	1,324.5
Selling, general and administrative	836.8	859.7	2,549.3	2,647.7
Amortization of acquired intangible assets	433.7	482.4	1,375.3	1,280.5
Integration and acquisition costs	93.0	237.0	512.0	696.7
Reorganization costs	254.8	5.4	268.9	24.5
(Gain)/loss on sale of Oncology and product rights	(267.2)	0.3	(267.2)	(0.4)
Total operating expenses	<u>2,915.9</u>	<u>2,989.0</u>	<u>9,076.6</u>	<u>9,410.8</u>
Operating income from continuing operations	955.8	708.6	2,480.3	1,604.9
Interest income	1.3	1.5	4.8	5.7
Interest expense	(125.2)	(141.8)	(378.1)	(425.4)
Other (expense)/income, net	(96.1)	(0.2)	(43.9)	6.8
Total other expense, net	<u>(220.0)</u>	<u>(140.5)</u>	<u>(417.2)</u>	<u>(412.9)</u>
Income from continuing operations before income taxes and equity in earnings of equity method investees	735.8	568.1	2,063.1	1,192.0
Income taxes	(203.3)	(13.5)	(371.0)	(44.6)
Equity in earnings/(losses) of equity method investees, net of taxes	4.7	(3.4)	11.2	0.1
Income from continuing operations, net of taxes	<u>537.2</u>	<u>551.2</u>	<u>1,703.3</u>	<u>1,147.5</u>
(Loss)/gain from discontinued operations, net of taxes	—	(0.4)	—	18.6
Net income	<u>\$ 537.2</u>	<u>\$ 550.8</u>	<u>\$ 1,703.3</u>	<u>\$ 1,166.1</u>

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(Unaudited, in millions, except per share amounts)

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Earnings per Ordinary Share – basic				
Earnings from continuing operations	\$ 0.59	\$ 0.61	\$ 1.87	\$ 1.27
Earnings from discontinued operations	—	—	—	0.02
Earnings per Ordinary Share – basic	<u>\$ 0.59</u>	<u>\$ 0.61</u>	<u>\$ 1.87</u>	<u>\$ 1.29</u>
Earnings per Ordinary Share – diluted				
Earnings from continuing operations	\$ 0.58	\$ 0.60	\$ 1.86	\$ 1.26
Earnings from discontinued operations	—	—	—	0.02
Earnings per Ordinary Share – diluted	<u>\$ 0.58</u>	<u>\$ 0.60</u>	<u>\$ 1.86</u>	<u>\$ 1.28</u>
Weighted average number of shares:				
Basic	914.0	907.2	912.0	905.9
Diluted	<u>921.1</u>	<u>911.6</u>	<u>916.9</u>	<u>912.1</u>

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$ 537.2	\$ 550.8	\$1,703.3	\$1,166.1
Other comprehensive income:				
Foreign currency translation adjustments	(100.7)	744.6	(679.2)	2,441.1
Pension and other employee benefits (net of tax expense of \$nil for the three and nine months ended September 30, 2018 and \$nil and \$0.9 for the three and nine months ended September 30, 2017, respectively)	(0.5)	0.4	(1.5)	11.0
Unrealized gain on available-for-sale securities (net of tax expense of \$nil for the three and nine months ended September 30, 2018 and \$5.5 and \$7.2 for the three and nine months ended September 30, 2017, respectively)	—	23.8	(67.9)	20.3
Hedging activities (net of tax benefit of \$nil for the three and nine months ended September 30, 2018 and \$nil and \$3.2 for the three and nine months ended September 30, 2017, respectively)	—	0.2	—	(5.7)
Comprehensive income	\$ 436.0	\$1,319.8	\$ 954.7	\$3,632.8

The components of Accumulated other comprehensive income as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Foreign currency translation adjustments	\$600.4	\$1,279.6
Pension and other employee benefits, net of taxes	26.0	27.5
Unrealized holding gain on available-for-sale securities, net of taxes	—	67.9
Accumulated other comprehensive income	\$626.4	\$1,375.0

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited, in millions)

	Common stock number of shares	Common stock	Additional paid-in capital	Treasury stock	Accumulated other comprehensive income	Retained earnings	Total equity
As of January 1, 2018	917.1	\$81.6	\$25,082.2	\$(283.0)	\$1,375.0	\$ 9,920.6	\$36,176.4
Net income	—	—	—	—	—	1,703.3	1,703.3
Other comprehensive loss, net of tax	—	—	—	—	(748.6)	—	(748.6)
Shares issued under employee benefit plans and other	5.0	0.3	172.3	—	—	—	172.6
Cumulative-effect adjustment from adoption of ASU 2014-09, Revenue from Contracts with Customers	—	—	—	—	—	52.0	52.0
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments – Overall	—	—	—	—	—	67.9	67.9
Cumulative-effect adjustment from adoption of ASU 2016-16, Income Taxes	—	—	—	—	—	7.5	7.5
Share-based compensation	—	—	135.7	—	—	—	135.7
Shares released by employee benefit trust to satisfy exercise of stock options	—	—	—	22.3	—	(22.3)	—
Dividends	—	—	—	—	—	(276.6)	(276.6)
As of September 30, 2018	<u>922.1</u>	<u>\$81.9</u>	<u>\$25,390.2</u>	<u>\$(260.7)</u>	<u>\$ 626.4</u>	<u>\$11,452.4</u>	<u>\$37,290.2</u>

Dividends per share

During the nine months ended September 30, 2018, Shire plc declared and paid dividends of \$0.2979 U.S. per ordinary share (equivalent of \$0.8937 U.S. per ADS) totaling \$276.6 million. During the nine months ended September 30, 2017, Shire plc declared and paid dividends of \$0.257 U.S. per ordinary share (equivalent to \$0.771 U.S. per ADS) totaling \$234.7 million.

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine months ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,703.3	\$ 1,166.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,808.1	1,644.0
Share based compensation	135.7	159.7
Expense related to the unwind of inventory fair value adjustments	40.9	688.7
Change in deferred taxes	14.2	(392.4)
Change in fair value of contingent consideration	100.4	144.3
Impairment of PP&E and intangible assets	169.5	167.6
Gain on sale of Oncology franchise	(267.2)	—
Other, net	(7.2)	99.2
Changes in operating assets and liabilities:		
Increase in accounts receivable	(362.0)	(301.5)
(Decrease)/increase in sales deduction accrual	(22.6)	94.0
Increase in inventory	(305.4)	(245.2)
Decrease in prepayments and other assets	44.6	70.4
Decrease in accounts payable and other liabilities	(244.8)	(557.8)
Net cash provided by operating activities	2,807.5	2,737.1
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of Oncology franchise	2,412.2	—
Purchases of PP&E	(564.6)	(565.5)
Acquisition of business, net of cash acquired	(104.7)	—
Proceeds from sale of investments	31.8	48.1
Other, net	(97.9)	34.8
Net cash provided by/(used in) investing activities	1,676.8	(482.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving line of credit, long term and short term borrowings	3,735.3	3,261.6
Repayment of revolving line of credit, long term and short term borrowings	(7,969.0)	(5,664.5)
Payment of contingent consideration	(396.0)	—
Payment of dividend	(276.6)	(234.7)
Proceeds from issuance of stock for share-based compensation arrangements	180.8	92.2
Other, net	(25.6)	(26.2)
Net cash used in financing activities	(4,751.1)	(2,571.6)
Effect of foreign exchange rate changes on cash and cash equivalents	(11.9)	6.2
Net decrease in cash, cash equivalents, and restricted cash	(278.7)	(310.9)
Cash, cash equivalents, and restricted cash at beginning of period	511.8	554.5
Cash, cash equivalents, and restricted cash at end of period	\$ 233.1	\$ 243.6
Supplemental information:		
Interest paid	\$ 427.1	\$ 434.9
Income taxes paid, net	\$ 528.4	\$ 308.0
Cash, cash equivalents, and restricted cash information:		
Cash and cash equivalents	\$ 193.2	\$ 209.3
Restricted cash	39.9	34.3
Cash, cash equivalents, and restricted cash at end of period	\$ 233.1	\$ 243.6

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

SHIRE PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Operations

Shire plc and its subsidiaries (collectively referred to as either “Shire” or the “Company”) is the leading global biotechnology company focused on serving people with rare diseases.

Some of the Company’s marketed products include GAMMAGARD, HYQVIA, and CINRYZE for Immunology, ADVATE/ADYNOVATE, VONVENDI, and FEIBA for Hematology, ELAPRASE and REPLAGAL for Genetic Diseases, VYVANSE, ADDERALL XR, and MYDAYIS for Neuroscience, GATTEX/REVESTIVE and NATPARA/NATPAR for Internal Medicine, and XIIDRA for Ophthalmics.

The Company has grown both organically and through acquisition, completing a series of major transactions that have brought therapeutic, geographic, and pipeline growth and diversification. The Company will continue to conduct its own research and development (R&D) focused on rare diseases, as well as evaluate companies, products and pipeline opportunities that offer a strategic fit and have the potential to deliver value to all of the Company’s stakeholders: patients, physicians, policy makers, payers, partners, investors, and employees.

On August 31, 2018, Shire completed the sale of its Oncology franchise to Servier S.A.S. (Servier) for \$2.4 billion.

On May 8, 2018, the boards of Takeda Pharmaceutical Company Limited (Takeda) and Shire announced that they have reached agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire (the “Acquisition”). Shire shareholders will be entitled to receive \$30.33 in cash for each Shire ordinary share and either 0.839 of a new share in Takeda (as proposed to be issued in connection with the Acquisition) (each a “New Takeda Share”) or 1.678 ADSs in Takeda (one ADS equals 0.5 New Takeda Share).

2. Summary of Significant Accounting Policies

Basis of Presentation

These interim financial statements of Shire plc and its subsidiaries are unaudited. They have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

The Consolidated Balance Sheet as of December 31, 2017 was derived from the Audited Consolidated Financial Statements as of that date.

These interim Unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on February 20, 2018.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from these interim financial statements. However, these interim financial statements include all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary to fairly state the results of the interim period and the Company believes that the disclosures are adequate to make the information presented not misleading. Interim results are not necessarily indicative of results to be expected for the full year.

Use of Estimates

The preparation of Financial Statements, in conformity with U.S. GAAP and SEC regulations, requires management to make estimates, judgments, and assumptions that affect the reported and disclosed amounts of assets, liabilities, and equity at the date of the Unaudited Consolidated Financial Statements and reported amounts of revenues and expenses during the period. On an on-going basis, the Company evaluates its estimates, judgments, and methodologies. Estimates are based on historical experience, current conditions, and on various other assumptions that are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, and equity and the amounts of revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed below, the Company does not believe that the impact of recently issued standards that are not yet effective will have a material impact on the Company's financial position or results of operations upon adoption.

Adopted during the current period

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The FASB subsequently issued several additional ASUs amending the guidance and deferred effective date to January 1, 2018. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements, and financial instruments. Under this accounting standard, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The Company adopted this new standard on January 1, 2018, using the modified retrospective transition method. Under this method, the Company recognized the cumulative-effect of initially applying the standard as an adjustment to the opening balance of retained earnings. As a result, the Company recorded a cumulative-effect adjustment to increase Retained earnings by \$52.0 million, net of tax of \$15.6 million. The modified retrospective transition method was applied only to the contracts that were not completed as of the adoption date.

For a complete discussion of accounting for revenue with customers, refer to Note 3, Revenue Recognition, to these Unaudited Consolidated Financial Statements.

Impact of adoption

As a result of adopting the new accounting for revenue with customers on January 1, 2018, the following financial statement line items as of and for the three and nine months ended September 30, 2018 were affected. The following tables provide the amounts as reported in these Unaudited Consolidated Financial Statements and as if the previous accounting guidance was in effect.

Unaudited Consolidated Balance Sheets

(In millions)	As of September 30, 2018	
	As reported	Before Adoption of Topic 606
Other current assets	\$ 900.1	\$ 844.5
Other current liabilities	237.8	238.8
Other non-current liabilities	2,294.9	2,296.9
Retained earnings	11,452.4	11,414.5

Unaudited Consolidated Statements of Operations

(In millions, except per share)	Three months ended September 30, 2018		Nine months ended September 30, 2018	
	As reported	Before Adoption of Topic 606	As reported	Before Adoption of Topic 606
Product sales	\$3,752.8	\$3,741.5	\$11,198.5	\$11,162.5
Royalties and other revenues	118.9	128.0	358.4	412.7
Net income	537.2	535.5	1,703.3	1,717.4
Net income per share applicable to common shareholders – basic	0.59	0.59	1.87	1.88
Net income per share applicable to common shareholders – diluted	0.58	0.58	1.86	1.87

Unaudited Consolidated Statements of Cash Flows

(In millions)	Nine months ended September 30, 2018	
	As reported	Before Adoption of Topic 606
Net income	\$1,703.3	\$1,717.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in prepayments and other assets	44.6	100.2
Decrease in accounts payable and other liabilities	(244.8)	(241.8)

Financial Instrument Accounting

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The new standard amends certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair values be measured at fair value with changes in fair value recognized in the results of operations. The new standard was effective January 1, 2018. The

Company adopted ASU No. 2016-01 in the first quarter of 2018. As a result of the adoption, the Company recorded a cumulative-effect adjustment to Retained earnings of \$67.9 million to reclassify unrealized gains from available-for-sale equity securities previously recognized in the Other comprehensive income.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new standard clarifies certain aspects of the statement of cash flows, and aims to reduce diversity in practice regarding how certain transactions are classified in the statement of cash flows. This standard was effective January 1, 2018. The Company adopted ASU No. 2016-15 in the first quarter of 2018. The adoption of this guidance did not have a material impact on the Company's financial position and results of operations.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance is intended to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. This standard was effective January 1, 2018. The Company adopted ASU No. 2016-18 in the first quarter of 2018 and amended the presentation of its statements of cash flows for the nine months ended September 30, 2018 and 2017 accordingly. The adoption of this guidance did not have a material impact on the Company's financial position and results of operations.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers Other than Inventory. This standard removes the current exception in U.S. GAAP prohibiting entities from recognizing current and deferred income tax expenses or benefits related to transfer of assets, other than inventory, within the consolidated entity. The current exception to defer the recognition of any tax impact on the transfer of inventory within the consolidated entity until it is sold to a third party remains unaffected. The standard was effective January 1, 2018. The Company adopted the new standard in the first quarter of 2018 using a modified retrospective approach with a cumulative-effect adjustment to opening retained earnings. The adoption of this guidance did not have a material impact on the Company's financial position and results of operations.

Retirement Benefits Income Statement Presentation

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The standard amends the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other postretirement plans. The standard requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. It also requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The standard was effective January 1, 2018. The Company adopted ASU No. 2017-07 in the first quarter of 2018. Adoption of this standard did not have a material impact on the Company's financial position and results of operations.

Share-Based Payment Accounting

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope Modification Accounting. The new standard clarifies when changes to the terms or conditions of a share-

based payment award must be accounted for as modifications. This standard was effective January 1, 2018. The Company adopted ASU No. 2017-09 in the first quarter of 2018. Adoption of this standard did not have a material impact on the Company's financial position and results of operations.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment. This new standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The Company adopted ASU No. 2017-04 in the first quarter of 2018. Adoption of this standard did not have a material impact on the Company's financial position and results of operations.

To be adopted in future periods

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new accounting guidance will require the recognition of all long-term lease assets and lease liabilities by lessees and sets forth new disclosure requirements for those lease assets and liabilities. The standard requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements. This standard will be effective for the Company on January 1, 2019. Early adoption is permitted. The Company is currently evaluating the potential impact on its financial position and results of operations of adopting this guidance. The Company expects the adoption of this new standard may have a material impact on total assets and total liabilities within the Company's Consolidated Balance Sheets, with no material impact to its Consolidated Statements of Operations.

Derivatives and Hedging

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The standard amends its hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. The new guidance also expands an entity's ability to hedge non-financial and financial risk components and reduces complexity in fair value hedges of interest rate risk. Additionally, it eliminates the requirement to separately measure and report hedge ineffectiveness, eases certain assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. This standard will be effective for the Company on January 1, 2019. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The new standard eliminates, adds and modifies certain disclosure requirements for fair value measurement as part of its disclosure framework project. The amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy will no longer be required to be disclosed, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. This standard will be effective for the Company on January 1, 2020. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Retirement Benefits - Defined Benefit Plans

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for

Defined Benefit Plans. The new standard changes the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefits plans. The guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and requires new ones that the FASB considers pertinent. This standard will be effective for the Company on January 1, 2020. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's Consolidated Financial Statements.

Intangibles - Goodwill and Other Internal - Use Software

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This standard will be effective for the Company on January 1, 2020. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's Consolidated Financial Statements.

3. Revenue Recognition

Product Revenue, Net

The Company sells its products to major pharmaceutical wholesalers, distributors, and retail pharmacy chains (collectively, its "Customers"). These Customers subsequently resell the Company's products to healthcare providers and patients. In addition to distribution agreements with Customers, the Company enters into arrangements with healthcare providers and payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks, and discounts with respect to the purchase of the Company's products.

Revenues from Product sales are recognized when the Customer obtains control, typically upon delivery. When the terms of the contract include customer acceptance provisions, the Company defers revenue recognition until the customer has accepted the goods, unless the acceptance provision relates only to objective specifications which the Company can determine will be met upon shipment. Customer acceptance provisions include temperature checks, government inspections, and other quality control tests. Shipping and handling and fulfillment costs are accrued for when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Estimates of Variable Consideration

Revenues from Product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for reserves related to statutory rebates to State Medicaid and other government agencies; Medicare Part D rebates; commercial rebates and fees to Managed Care Organizations (MCOs), Group Purchasing Organizations (GPOs), distributors, and specialty pharmacies; product returns; sales discounts (including trade discounts); distribution service fees; wholesaler chargebacks; and allowances for coupon and patient assistance programs relating to the Company's sales of its products.

These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Management's estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period. If actual results vary, the Company may adjust these estimates, which could have an effect on earnings in the period of adjustment.

- Trade discounts are generally credits granted to wholesalers, specialty pharmacies, and other customers for remitting payment on their purchases within established incentive periods and are

classified as a reduction of accounts receivable, offset by revenue in the same period that the related revenue is recognized.

- Chargebacks are credits or payments issued to wholesalers and other distributors who provide products to qualified healthcare providers at prices lower than the list prices charged to the wholesalers or other distributors. Reserves are estimated based on expected purchases by those qualified healthcare providers. Chargeback reserves are classified as a reduction of accounts receivable in the same period that the related revenue is recognized.
- Distribution service fees are credits or payments issued to wholesalers, distributors, and specialty pharmacies for compliance with various contractually-defined inventory management practices or services provided to support patient access to a product. These fees are generally based on a percentage of gross purchases but can also be based on additional services these entities provide. Most of these costs are reflected as a reduction of gross sales; however, to the extent benefit from services can be separately identified and the fair value determined, costs are classified as Selling, general and administrative expenses. Distribution service fees reserves are estimated based on the terms of each individual contract and are classified within accrued expenses.
- Medicaid rebates are payments to States under statutory and voluntary reimbursement arrangements. Reserves for these rebates are generally based on an estimate of expected product usage by Medicaid patients and expected rebate rates. Statutory rates are generally based on a percentage of selling price adjusted upwards for price increases in excess of published inflation indices. As a result, rebates generally increase as a percentage of the selling price over the life of the product (as prices increase). Medicaid rebate reserves are estimated based on individual product purchase volumes and are classified within accrued expenses.
- Managed care rebates are payments to third parties, primarily pharmacy benefit managers, and other health insurance providers. The reserve for these rebates is based on an estimate of customer buying patterns and applicable contractual rebate rates to be earned over each period. Managed care rebates reserves are estimated based on the terms of each individual contract and purchase volumes and are classified within accrued expenses.
- Incentive rebates are generally credits or payments issued to specialty pharmacies, distributors, or Group Purchasing Organizations for qualified purchases of certain products. Incentive rebate reserves are estimated based on the terms of each individual contract and purchase volumes and are classified within accrued expenses.
- Other discounts and allowances include Medicare rebates, coupon, and patient co-pay assistance. Medicare rebates are payments to health insurance providers of Medicare Part D coverage to qualified patients. Reserve estimates are based on customer buying patterns and applicable contractual rebate rates to be earned over each period. Coupon and co-pay assistance programs provide discounts to qualified patients. Reserve estimates are based on expected claim volumes under these programs and estimated cost per claim that the Company expects to pay. Reserves for Medicare and coupon and patient co-pay programs are classified within accrued expenses.

Product Returns: The Company typically accepts customer product returns in the following circumstances: (a) expiration of shelf life on certain products; (b) product damaged while in the Company's possession; (c) under sales terms that allow for unconditional return (guaranteed sales); or (d) following product recalls or product withdrawals. Generally, returns for expired product are accepted three months before and up to one year after the expiration date of the related product and the related product is destroyed after it is returned. Depending on the product and the Company's return policy with respect to that product, the Company may either refund the sales price paid by the customer by issuance of a credit, or exchange the returned product with replacement inventory. The Company typically does not provide cash refunds. The Company estimates the

proportion of recorded revenue that will result in a return by considering relevant factors, including but not limited to:

- historical returns experience;
- the duration of time taken for products to be returned;
- the estimated level of inventory in the distribution channel;
- product recalls and discontinuances;
- the shelf life of products;
- the launch of new drugs or new formulations; and
- the loss of patent protection, exclusivity or new competition.

The estimation process for product returns involves, in each case, a number of interrelating assumptions, which vary for each combination of product and customer. The Company estimates the amount of its product sales that may be returned by its Customers and records this estimate as a reduction of revenue from Product sales in the period the related revenue is recognized.

Royalties and other revenues

The Company enters into agreements, where it licenses certain rights to its products to customers. The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, up-front license fees; development, regulatory and commercial milestone payments; payments for manufacturing supply services the Company provides; and royalties on net sales of licensed products. Each of these payments is recognized as Royalties and other revenues.

As part of the accounting for these arrangements, the Company must develop estimates that require judgment to determine the stand-alone selling price for each performance obligation, identified in the contract. Performance obligations are promises in a contract to transfer a distinct good or service to the customer. The Company uses key assumptions to determine the stand-alone selling price, which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical, regulatory and commercial success.

Licenses of intellectual property: If the license to the Company's intellectual property is distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, up-front fees when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. If the performance obligation is satisfied over time, the Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. Measures of progress for revenue recognition vary depending on the nature of the performance obligation.

Milestone Payments: At the inception of each arrangement that includes milestone payments, the Company evaluates the recognition of milestone payments. Typically, milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are included in the transaction price upon achievement of the milestone. Milestone payments included in transaction price are recognized when or as the performance obligations are satisfied. At the end of each subsequent reporting period, the Company re-evaluates the probability of achievement of such milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, the Company recognizes revenue at the later of (i) when the related sales occur or (ii) when the license is transferred.

The Company receives payments from its customers based on billing schedules established in each contract, which vary across Shire's locations, but generally range between 30 to 90 days. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation is that customer will pay for the product or services in one year or less of receiving those products or services.

The following table presents changes in the Company's contract assets and liabilities during the nine months ended September 30, 2018:

<u>(In millions)</u>	<u>As of January 1, 2018</u>	<u>Increase, net</u>	<u>As of September 30, 2018</u>
Contract assets:			
Unbilled receivables	\$42.7	\$12.9	\$55.6
Contract liabilities:			
Deferred revenue	<u>—</u>	<u>7.4</u>	<u>7.4</u>

Contract assets consist of unbilled receivables typically resulting from sales under contracts when revenue recognized exceeds the amount billed to the customer. The contract assets are included in Other current assets in these Unaudited Consolidated Balance Sheets. Contract liabilities consist of advance payments from customers for future performance obligations. Contract liabilities are included in Other current liabilities in these Unaudited Consolidated Balance Sheets.

4. Acquisition

In September 2018, Shire acquired 100 percent of the voting equity interests in a source plasma collection company. The acquisition is expected to increase Shire's access to plasma in the longer term and add to its European plasma collection network, complementing existing core capabilities in plasma supply, and manufacturing.

The total cash consideration for the acquisition was \$107.8 million (CHF 105.0 million). Shire recorded the purchase price as goodwill, intangible assets, and other assets. The \$96.3 million goodwill is not deductible for tax purposes.

5. Dispositions and Assets Held for Sale

On August 31, 2018, the Company completed the sale of its Oncology franchise to Servier. Under the terms of the agreement, Servier acquired Shire's Oncology franchise for a net consideration of \$2.4 billion, in cash. The Company recognized \$267.2 million as a gain, which is recorded within Total operating expenses in the Company's Unaudited Consolidated Statements of Operations.

The assets and liabilities of the Oncology franchise were as follows:

<u>(In millions)</u>	<u>As of August 31, 2018</u>
Intangible Assets	\$1,628.3
Goodwill	565.1
Other	<u>25.6</u>
Current Assets	<u>\$2,219.0</u>
Current Liabilities	<u>\$ 116.4</u>

During the nine months ended September 30, 2018, the Company determined it would divest certain facilities as part of its integration efforts. As of September 30, 2018, the Company classified \$115.4 million of assets as held for sale and included within Other current assets in these Unaudited Consolidated Financial Statements. The \$115.4 million of held for sale assets consisted primarily of property, plant and equipment and was net of \$145.4 million of impairment charges recorded during the nine months ended September 30, 2018. The impairment charges were reported within Integration and acquisition costs in these Unaudited Consolidated Financial Statements.

6. Collaborative and Other Licensing Arrangements

The Company is party to certain collaborative and licensing arrangements. In some of these arrangements, Shire and the licensee are both actively involved in the development and commercialization of the licensed product and have exposure to risks and rewards dependent on its commercial success.

On January 25, 2018, Shire entered into a licensing agreement with AB Biosciences Inc. (AB Biosciences). The license grants Shire exclusive worldwide rights to develop and commercialize a recombinant immunoglobulin product candidate. Under the terms of the agreement, AB Biosciences will grant Shire an exclusive, worldwide license to its intellectual property relating to its pan receptor interacting molecule program. The Company paid \$10.0 million upfront license fee and AB Biosciences is eligible to receive contingent research, development, and commercialization milestone payments up to \$282.5 million as well as tiered royalty payments.

7. Integration and Acquisition Costs

For the three and nine months ended September 30, 2018, Shire recorded Integration and acquisition costs of \$93.0 million and \$512.0 million, respectively. These costs relate to the continued integration of Baxalta Inc. (Baxalta), which was acquired in June 2016, Takeda's proposed acquisition of Shire, and the change in fair value of contingent consideration, primarily related to TAKHZYRO (lanadelumab-flyo), which was acquired from Dyax in 2016.

The Company continues its activities to integrate Baxalta. The costs associated with the integration are primarily related to facility consolidation and professional consulting fees. The Company also drove savings through the continued re-prioritization of its research and development programs and consolidation of its commercial operations. For the three and nine months ended September 30, 2018, these costs include \$8.0 million and \$151.4 million, respectively, of asset impairments, \$12.4 million and \$55.5 million, respectively, of third-party professional fees, \$4.4 million and \$19.2 million, respectively, of expenses associated with facility consolidations, and \$5.7 million and \$20.7 million, respectively, of employee severance and acceleration of stock compensation. The Company expects the majority of these expenses, except for certain costs related to facility consolidations, to be paid within 12 months from the date the related expenses were incurred. The integration of Baxalta is estimated to be completed by mid to late 2019.

The following table summarizes the reserve for the Baxalta integration costs for certain types of activities during the nine months ended September 30, 2018:

<u>(In millions)</u>	<u>Severance and employee benefits</u>	<u>Lease terminations</u>	<u>Total</u>
As of January 1,	\$ 72.9	\$ 56.6	\$129.5
Amount charged to integration costs	9.2	2.3	11.5
Paid/utilized	<u>(41.0)</u>	<u>(19.9)</u>	<u>(60.9)</u>
As of September 30,	<u>\$ 41.1</u>	<u>\$ 39.0</u>	<u>\$ 80.1</u>

On May 8, 2018, the Boards of Takeda and Shire announced that they had reached an agreement on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary

share capital of Shire. The closing of the acquisition is expected in the first half of 2019, subject to shareholder approval of both companies as well as the receipt of regulatory approvals. For the three and nine months ended September 30, 2018, costs associated with this proposed offer include \$8.0 million and \$72.0 million, respectively, of third-party professional fees and \$36.4 million and \$40.4 million, respectively, of employee incentives. The Company expects the majority of these expenses to be paid within 12 months from the date the related expenses were incurred.

In the three and nine months ended September 30, 2018, \$54.5 million and \$100.4 million, respectively, are included in Integration and acquisition costs relating to the change in fair value of contingent consideration payable mainly related to TAKHZYRO.

For the three and nine months ended September 30, 2017, Shire recorded Integration and acquisition costs of \$237.0 million and \$696.7 million, respectively, primarily related to the acquisition and integration of Baxalta and Dyax. In the three and nine months ended September 30, 2017, a credit of \$3.4 million and a charge of \$144.3 million, respectively, is included in Integration and acquisition costs due to the change in fair value of contingent consideration payable mainly related to TAKHZYRO. For the three and nine months ended September 30, 2017, the Baxalta Integration and acquisition costs include \$60.2 million and \$177.4 million, respectively, of employee severance and acceleration of stock compensation, \$28.4 million and \$114.0 million, respectively, of third-party professional fees, and \$29.7 million and \$71.4 million, respectively, of expenses associated with facility consolidations and \$114.1 million and \$147.8 million, respectively, of asset impairments.

8. Reorganization Costs

For the three and nine months ended September 30, 2018, Shire recorded Reorganization costs of \$254.8 million and \$268.9 million, respectively. These costs include \$249.2 million and \$256.7 million, respectively, of expenses mainly related to the closure of certain of its Cambridge office facilities and \$5.6 million and \$12.2 million, respectively, of asset impairment, employee severance, professional fees, and consulting fees. For the three and nine months ended September 30, 2018, cash payments associated with these costs were not significant.

For the three and nine months ended September 30, 2017, Shire recorded Reorganization costs of \$5.4 million and \$24.5 million, respectively. These costs include \$nil and \$10.8 million, respectively, of expenses related to the closure of certain office facilities and \$5.4 million and \$13.7 million, respectively, of employee severance, professional fees, and consulting fees.

9. Results of Discontinued Operations

Following the divestment of the Company's DERMAGRAFT business in January 2014, the operating results associated with the DERMAGRAFT business have been classified as discontinued operations in the Company's Unaudited Consolidated Statements of Operations for all periods presented.

In January 2017, Shire entered into a final settlement agreement with the Department of Justice (DOJ) in the amount of \$350.0 million, plus interest which was accrued in 2016 and paid during 2017.

After the civil settlement with the DOJ was finalized, Shire and Advanced BioHealing Inc.'s (ABH) equity holders entered into a settlement agreement and ABH's equity holders released the \$37.5 million escrow to Shire. Shire released its claims against ABH equity holders upon receiving the entire amount held in escrow.

For the three and nine months ended September 30, 2017, the Company recorded a loss of \$0.4 million (net of immaterial tax benefit) and gain of \$18.6 million (net of tax expense of \$10.9 million), respectively, primarily related to legal contingencies related to the divested DERMAGRAFT business and the release of escrow to Shire, respectively.

10. Accounts Receivable, Net

Accounts receivable as of September 30, 2018 of \$3,207.4 million (December 31, 2017: \$3,009.8 million), are stated at the invoiced amount and net of reserve for discounts and doubtful accounts of \$331.4 million (December 31, 2017: \$271.5 million).

Reserve for discounts and doubtful accounts consists of the following:

<u>(In millions)</u>	<u>2018</u>	<u>2017</u>
As of January 1,	\$ 271.5	\$ 169.6
Provision charged to operations	1,884.2	1,074.1
Payments/credits	<u>(1,824.3)</u>	<u>(1,000.0)</u>
As of September 30,	<u>\$ 331.4</u>	<u>\$ 243.7</u>

Reserve for discounts and doubtful accounts increased for the nine months ended September 30, 2018 compared to the corresponding period in 2017, primarily due to increased usage of biological distributors, higher invoice price to those distributors, and the resulting increase in chargebacks for the distribution of Shire's Hematology and Immunology products.

As of September 30, 2018, Accounts receivable included \$44.1 million (December 31, 2017: \$106.6 million) related to royalties receivable.

11. Inventories

Inventories are stated at the lower of cost and net realizable value. The components of Inventories are as follows:

<u>(In millions)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Finished goods	\$ 959.7	\$ 926.1
Work-in-progress	1,671.6	1,574.0
Raw materials	<u>827.4</u>	<u>791.4</u>
	<u>\$3,458.7</u>	<u>\$3,291.5</u>

12. Property, Plant and Equipment, Net

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Components of Property, plant and equipment, net are summarized as follows:

<u>(In millions)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Land	\$ 296.2	\$ 332.3
Buildings and leasehold improvements	2,975.1	1,940.7
Machinery, equipment and other	3,942.5	3,106.3
Assets under construction	<u>759.4</u>	<u>2,568.2</u>
Total property, plant and equipment at cost	7,973.2	7,947.5
Less: Accumulated depreciation	<u>(1,520.2)</u>	<u>(1,312.1)</u>
Property, plant and equipment, net	<u>\$ 6,453.0</u>	<u>\$ 6,635.4</u>

Depreciation expense for the three and nine months ended September 30, 2018 was \$156.8 million and \$432.8 million, respectively, and for the three and nine months ended September 30, 2017 was \$119.9 million and \$363.5 million, respectively.

In the second quarter of 2018, the FDA approved a new plasma manufacturing facility near Covington, Georgia. Following the approval, \$1,840.5 million of assets were reclassified from Asset under construction to Buildings and leasehold improvements and Machinery, equipment and other assets classes.

13. Intangible assets

The following table summarizes the Company's Intangible assets:

<u>(In millions)</u>	<u>Currently marketed products</u>	<u>IPR&D</u>	<u>Other intangible assets</u>	<u>Total</u>
September 30, 2018				
Gross acquired intangible assets	\$33,767.4	\$1,012.7	\$ 830.8	\$35,610.9
Accumulated amortization	(5,561.2)	—	(424.3)	(5,985.5)
Intangible assets, net	<u>\$28,206.2</u>	<u>\$1,012.7</u>	<u>\$ 406.5</u>	<u>\$29,625.4</u>
December 31, 2017				
Gross acquired intangible assets	\$31,973.5	\$5,113.9	\$ 835.9	\$37,923.3
Accumulated amortization	(4,549.2)	—	(328.0)	(4,877.2)
Intangible assets, net	<u>\$27,424.3</u>	<u>\$5,113.9</u>	<u>\$ 507.9</u>	<u>\$33,046.1</u>

During the third quarter of 2018, the U.S. Food and Drug Administration (FDA) approved TAKHZYRO injection, for prophylaxis to prevent attacks of HAE in patients 12 years of age and older. Following the approval, the Company reclassified the TAKHZRO intangible asset from IPR&D to Currently marketed products and started amortizing the asset.

Other intangible assets are comprised primarily of royalty rights and other contract rights associated with Baxalta, Dyax Corp. (Dyax), and NPS Pharmaceuticals Inc.

Activities in the net book value of intangible assets for the nine months ended September 30, 2018 and 2017 are as follows:

<u>(In millions)</u>	<u>2018</u>	<u>2017</u>
As of January 1,	\$33,046.1	\$34,697.5
Sale of Oncology franchise	(1,598.5)	—
Measurement period adjustments	—	(1,397.0)
Amortization charged	(1,375.3)	(1,280.5)
Foreign currency translation	(314.2)	1,350.3
Contribution to JV	(163.7)	—
Impairment	(10.0)	(20.0)
Other	35.9	—
Acquisition	5.1	—
As of September 30,	<u>\$29,625.4</u>	<u>\$33,350.3</u>

Measurement period adjustments included in the nine months ended September 30, 2017 related to the acquisition of Baxalta.

For further details regarding the sale of the Oncology franchise, refer to Note 5, Dispositions and Assets Held for Sale.

During the nine months ended September 30, 2018, the Company contributed distributions rights for certain products to a joint venture formed by the Company. Upon the contribution, the net carrying value

(\$163.7 million) related to those products was recorded within Investments in these Unaudited Consolidated Balance Sheets.

The Company reviews its amortized intangible assets for impairment whenever events or circumstances suggest that their carrying value may not be recoverable. Unamortized intangible assets are reviewed for impairment annually or whenever events or circumstances suggest that their carrying value may not be recoverable.

Estimated amortization expense can be affected by various factors including future acquisitions, disposals of product rights, regulatory approval and subsequent amortization of acquired IPR&D projects, foreign exchange movements, and the technological advancement and regulatory approval of competitor products. The estimated future amortization of acquired intangible assets for the next five years is expected to be as follows:

<u>(In millions)</u>	<u>Anticipated future amortization</u>
2018 (remaining three months)	\$ 444.4
2019	1,808.0
2020	1,730.7
2021	1,710.9
2022	1,679.3
2023	<u>1,627.3</u>

14. Goodwill

The following table provides a roll-forward of the Goodwill balance for the nine months ended September 30, 2018 and 2017:

<u>(In millions)</u>	<u>2018</u>	<u>2017</u>
As of January 1,	\$19,831.7	\$17,888.2
Acquisitions	96.3	1,076.2
Sale of Oncology franchise	(565.1)	—
Foreign currency translation and other	<u>(267.9)</u>	<u>754.0</u>
September 30,	<u>\$19,095.0</u>	<u>\$19,718.4</u>

For further details regarding acquisitions during the nine months ended September 30, 2018, refer to Note 4, Acquisition.

The increase in Goodwill during the nine months ended September 30, 2017 related to measurement period adjustments of the acquisition of Baxalta.

15. Fair Value Measurement

Assets and liabilities that are measured at fair value on a recurring basis

The following financial assets and liabilities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

(In millions)	Fair value			
	Total	Level 1	Level 2	Level 3
As of September 30, 2018				
Financial assets:				
Marketable equity securities	\$ 161.0	\$161.0	\$ —	\$ —
Marketable debt securities	17.0	3.6	13.4	—
Derivative instruments	13.9	—	13.9	—
Total assets	<u>\$ 191.9</u>	<u>\$164.6</u>	<u>\$27.3</u>	<u>\$ —</u>
Financial liabilities:				
Joint venture net written option	\$ 48.0	\$ —	\$ —	\$ 48.0
Derivative instruments	30.8	—	30.8	—
Contingent consideration payable	616.2	—	—	616.2
Total liabilities	<u>\$ 695.0</u>	<u>\$ —</u>	<u>\$30.8</u>	<u>\$ 664.2</u>

(In millions)	Fair value			
	Total	Level 1	Level 2	Level 3
As of December 31, 2017				
Financial assets:				
Marketable equity securities	\$ 89.7	\$ 89.7	\$ —	\$ —
Marketable debt securities	17.9	3.8	14.1	—
Derivative instruments	17.9	—	17.9	—
Total assets	<u>\$ 125.5</u>	<u>\$ 93.5</u>	<u>\$32.0</u>	<u>\$ —</u>
Financial liabilities:				
Joint venture net written option	\$ 40.0	\$ —	\$ —	\$ 40.0
Derivative instruments	14.2	—	14.2	—
Contingent consideration payable	1,168.2	—	—	1,168.2
Total liabilities	<u>\$1,222.4</u>	<u>\$ —</u>	<u>\$14.2</u>	<u>\$1,208.2</u>

Marketable equity and debt securities are included within Investments in these Unaudited Consolidated Balance Sheets. Contingent consideration payable is included within Other current liabilities and Other non-current liabilities in these Unaudited Consolidated Balance Sheets. For information regarding the Company's derivative arrangements, refer to Note 16, Financial Instruments, to these Unaudited Consolidated Financial Statements.

Certain estimates and judgments were required to develop the fair value amounts. The estimated fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- **Marketable equity securities:** the fair values of marketable equity securities are estimated based on quoted market prices for those investments.

- Marketable debt securities: the fair values of debt securities are obtained from pricing services or broker/dealers who either use quoted prices in an active market or proprietary pricing applications, which include observable market information for like or same securities.
- Derivative instruments: the fair values of the swap and forward foreign exchange contracts have been determined using the month-end interest rate and foreign exchange rates, respectively.
- Joint venture net written option and contingent consideration payable: the fair values have been estimated using the income approach (using a probability weighted discounted cash flow method).

There were no changes in valuation techniques or inputs utilized or transfers between fair value measurement levels during the three and nine months ended September 30, 2018 and 2017.

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Contingent consideration payable

<u>(In millions)</u>	<u>2018</u>	<u>2017</u>
Balance as of January 1,	\$1,168.2	\$1,058.0
Acquisitions	—	(4.0)
Payments	(647.1)	—
Change in fair value included in earnings	100.4	144.3
Other	(5.3)	(11.4)
Balance as of September 30,	<u>\$ 616.2</u>	<u>\$1,186.9</u>

Of the \$616.2 million of contingent consideration payable as of September 30, 2018, \$82.3 million is recorded within Other current liabilities and \$533.9 million is recorded within Other non-current liabilities in these Unaudited Consolidated Balance Sheets.

The decrease in contingent consideration payable during the nine months ended September 30, 2018 is related to payments of contingent consideration following the approval of TAKHZYRO acquired from Dyax in 2016.

Joint venture net written option

In March 2017, Shire executed option agreements related to a joint venture that provides Shire with a call option on the partner's investment in joint venture equity and the partner with a put option on its investment in joint venture equity. The Company had a liability of \$48.0 million for the net written option based on the estimated fair value of these options as of September 30, 2018 and the Company re-measures the instrument to fair value through the Unaudited Consolidated Statements of Operations.

Quantitative Information about Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Financial liabilities:

As of September 30, 2018

(In millions, except %)	Fair value as of the measurement date			
	Fair value	Valuation technique	Significant unobservable inputs	Range
Contingent consideration payable	\$616.2	Income approach (probability weighted discounted cash flow)	<ul style="list-style-type: none"> Cumulative probability of milestones being achieved Assumed market participant discount rate Periods in which milestones are expected to be achieved Forecast quarterly royalties payable on net sales of relevant products 	<ul style="list-style-type: none"> 10.5 to 90% 3.2 to 9.2% 2018 to 2040 \$0.1 to \$16.0 million

Contingent consideration payable represents future milestones and royalties the Company may be required to pay in conjunction with various business combinations and license agreements. The fair value of the Company's contingent consideration payable could significantly increase or decrease due to changes in certain assumptions which underpin the fair value measurements. Each set of assumptions is specific to the individual contingent consideration payable.

Financial liabilities:

As of September 30, 2018

(In millions, except %)	Fair value as of the measurement date			
	Fair value	Valuation technique	Significant unobservable inputs	Range
Joint venture net written option	\$48.0	Income approach (probability weighted discounted cash flow)	<ul style="list-style-type: none"> Cash flow scenario probability weighting Assumed market participant discount rate 	<ul style="list-style-type: none"> 100% 14%

Financial assets and liabilities that are disclosed at fair value

The carrying amounts and estimated fair values of the Company's financial assets and liabilities that are not measured at fair value on a recurring basis are as follows:

(In millions)	September 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
SAIIDAC notes	\$12,058.9	\$11,604.7	\$12,050.2	\$11,913.7
Baxalta notes	1,939.9	1,951.3	5,057.7	5,229.9
Capital lease obligation	366.8	366.8	349.2	349.2

The estimated fair values of long-term debt were based upon recent observable market prices and are considered Level 2 in the fair value hierarchy. The estimated fair value of capital lease obligations is based on Level 2 inputs.

The carrying amounts of other financial assets and liabilities approximate their estimated fair value due to their short-term nature, such as liquidity and maturity of these amounts, or because there have been no significant changes since the asset or liability was last re-measured to fair value on a non-recurring basis. For more details on the carrying amount and fair value of Baxalta notes, refer to Note 17, Borrowings and Capital Leases.

16. Financial Instruments

Foreign Currency Contracts

Due to the global nature of its operations, portions of the Company's revenues and operating expenses are recorded in currencies other than the U.S. dollar. The value of revenues and operating expenses measured in U.S. dollars is therefore subject to changes in foreign currency exchange rates. The main trading currencies of the Company are the U.S. dollar, Euro, British pound sterling, Swiss franc, Canadian dollar, and Japanese yen.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. It is the Company's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency. Where significant exposures remain, the Company uses foreign exchange contracts (spot, forward, and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary.

The Company has master netting agreements with a number of counterparties to these foreign exchange contracts and on the occurrence of specified events, the Company has the ability to terminate contracts and settle them with a net payment by one party to the other. The Company has elected to present derivative assets and derivative liabilities on a gross basis in the Unaudited Consolidated Balance Sheets. The Company does not have credit risk related contingent features or collateral linked to the derivatives.

Undesignated Foreign Currency Derivatives

The Company uses forward and option contracts to mitigate the foreign currency risk related to certain balance sheet positions, including intercompany and third-party receivables and payables. The Company has not elected hedge accounting for these derivative instruments. The changes in fair value of these derivatives are reported in earnings.

The table below presents the notional amount, maximum duration, and fair value for the undesignated foreign currency derivatives:

<u>(In millions, except duration)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Notional amount	\$ 2,192.4	\$ 1,672.3
Maximum duration	11 months	3 months
Fair value - net (liability)/asset	<u>\$ (1.3)</u>	<u>\$ 11.4</u>

The Company considers the impact of its and its counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its contractual obligations. As of September 30, 2018, credit risk did not materially change the fair value of the Company's foreign currency contracts.

Interest Rate - Contracts

The Company is exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in benchmark interest rates relating to its debt obligations on which interest is set at floating rates. The Company's policy is to manage this risk to an acceptable level. The Company is principally exposed to interest rate risk on any borrowings under the Company's various debt facilities. Interest on these facilities is set at floating rates, to the extent utilized. Shire's exposure under these facilities is to changes in U.S. dollar interest rates. For further details related to interest rates on the Company's various debt facilities, refer to Note 17, Borrowings and Capital Leases, to these Unaudited Consolidated Financial Statements.

Designated Interest Rate Derivatives

The Company has elected hedge accounting for interest rate swap contracts designated as fair value hedges. The effective portion of the changes in the fair value of interest rate swap contracts are recorded as a component of the underlying Baxalta Notes with the ineffective portion recorded in Interest expense. Any net interest payments made or received on the interest rate swap contracts are recognized as a component of Interest expense in the Unaudited Consolidated Statements of Operations.

The table below presents the notional amount, maturity, and fair value for the designated interest rate derivatives:

<u>(In millions, except maturity)</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Notional amount	\$ 431.0	\$ 1,000.0
Maturity	June 2020 and June 2025	June 2020 and June 2025
Fair value - net liability	<u>\$ (15.6)</u>	<u>\$ (7.7)</u>

In conjunction with the debt tender offer and extinguishment of debt as more fully described in Note 17, Shire terminated \$569.0 million of its interest swaps for a loss of \$9.3 million, which is reported in Other (expense)/income, net in the Unaudited Consolidated Statements of Operations.

Summary of Derivatives

The following tables summarize the effect of the derivative instruments in the Company's Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017.

Designated Foreign exchange contracts

(In millions)	Loss recognized in OCI		Location	Gain reclassified from AOCI into income	
	2018	2017		2018	2017
Cash flow hedges					
Three months ended September 30,					
Foreign exchange contracts	\$—	\$(0.2)	Cost of sales	\$—	\$0.3
Nine months ended September 30,					
Foreign exchange contracts	\$—	\$(0.9)	Cost of sales	\$—	\$8.6

Undesignated foreign exchange contracts

(In millions)	Location	Gain/(loss) recognized in income	
		2018	2017
Three months ended September 30,			
Foreign exchange contracts	Other (expense)/income, net	\$ 4.7	\$36.7
Nine months ended September 30,			
Foreign exchange contracts	Other (expense)/income, net	\$(28.6)	\$57.4

Designated Interest Rate Derivatives

(In millions)	Location	Loss recognized in income	
		2018	2017
Fair value hedges			
Three months ended September 30,			
Interest rate contracts, net	Interest expense	\$(1.0)	\$(1.1)
Nine months ended September 30,			
Interest rate contracts, net	Interest expense	\$(4.9)	\$(2.5)

Summary of Derivatives

The following table presents the classification and estimated fair value of derivative instruments on the Company's Unaudited Consolidated Balance Sheets:

(In millions)	Asset position			Liability position		
	Location	Fair value		Location	Fair value	
		September 30, 2018	December 31, 2017		September 30, 2018	December 31, 2017
<i>Undesignated derivative instruments</i>						
Foreign exchange contracts . . .	Other current assets	\$13.9	\$17.9	Other current liabilities	\$15.2	\$ 6.5
		<u>\$13.9</u>	<u>\$17.9</u>		<u>\$15.2</u>	<u>\$ 6.5</u>
<i>Designated derivative Instruments</i>						
Interest rate contracts	Long term borrowings	\$ —	\$ —	Long term borrowings	\$15.6	\$ 7.7
		<u>\$ —</u>	<u>\$ —</u>		<u>\$15.6</u>	<u>\$ 7.7</u>
Total derivative fair value . . .		<u>\$13.9</u>	<u>\$17.9</u>		<u>\$30.8</u>	<u>\$14.2</u>
Potential effect of rights to offset		(8.3)	(2.7)		(8.3)	(2.7)
Net derivative		<u>\$ 5.6</u>	<u>\$15.2</u>		<u>\$22.5</u>	<u>\$11.5</u>

17. Borrowings and Capital Leases

(In millions)	September 30, 2018	December 31, 2017
Short term borrowings and capital leases:		
SAIIDAC Notes	\$ 3,295.3	\$ —
Baxalta Notes	—	748.8
Borrowings under the Revolving Credit Facilities Agreement	915.0	810.0
Borrowings under the November 2015 Facilities Agreement	—	1,196.3
Capital leases	9.5	7.5
Other borrowings	28.9	26.1
	<u>\$ 4,248.7</u>	<u>\$ 2,788.7</u>
Long term borrowings and capital leases:		
SAIIDAC Notes	\$ 8,763.6	\$12,050.2
Baxalta Notes	1,939.9	4,308.9
Capital leases	357.3	341.7
Other borrowings	37.2	51.6
	<u>\$11,098.0</u>	<u>\$16,752.4</u>
Total borrowings and capital leases	<u>\$15,346.7</u>	<u>\$19,541.1</u>

For a more detailed description of the Company's financing agreements, refer below and to Note 17, Borrowings and Capital Leases, of Shire's Annual Report on Form 10-K for the year ended December 31, 2017.

Debt Tender Offer

On September 11, 2018, Shire purchased an aggregate of \$2.3 billion in principal amount of Baxalta Notes from existing holders consisting of its 2.875% Notes due June 2020, 3.600% Notes due June 2022, 4.000% Notes due June 2025 and 5.250% Notes due June 2045 pursuant to a debt tender offer. Shire paid approximately \$2.4 billion, including accrued and unpaid interest and tender premium, to purchase such notes. As a result of the debt tender offer, the Company recognized a loss on extinguishment of debt in the third quarter of 2018 of \$40.6 million, which is included in Other (expense)/income, net within the Unaudited Consolidated Statements of Operations.

SAIIDAC Notes

On September 23, 2016, Shire Acquisitions Investments Ireland Designated Activity Company (SAIIDAC), a wholly owned subsidiary of Shire plc, issued unsecured senior notes with a total aggregate principal value of \$12.1 billion (SAIIDAC Notes), guaranteed by Shire plc and, as of December 1, 2016, by Baxalta. Below is a summary of the SAIIDAC Notes as of September 30, 2018:

<u>(In millions, except %)</u>	<u>Aggregate amount</u>	<u>Coupon rate</u>	<u>Carrying amount as of September 30, 2018</u>
Fixed-rate notes due 2019	\$ 3,300.0	1.900%	\$ 3,295.3
Fixed-rate notes due 2021	3,300.0	2.400%	3,289.0
Fixed-rate notes due 2023	2,500.0	2.875%	2,490.8
Fixed-rate notes due 2026	3,000.0	3.200%	2,983.8
	<u>\$12,100.0</u>		<u>\$12,058.9</u>

As of September 30, 2018, there were \$41.1 million of debt issuance costs and discounts recorded as a reduction of the carrying amount of debt. These costs will be amortized as additional interest expense using the effective interest rate method over the period from issuance through maturity.

Baxalta Notes

Shire plc guaranteed senior notes issued by Baxalta in connection with the acquisition of Baxalta (Baxalta Notes). Following repayment of the \$375.0 million floating-rate notes and the \$375.0 million fixed-rate notes due in June 2018 and the subsequent \$2.3 billion bond tender offer on September 11, 2018, the remaining Baxalta Notes as of September 30, 2018 are shown below:

<u>(In millions, except %)</u>	<u>Aggregate principal</u>	<u>Coupon rate</u>	<u>Carrying amount as of September 30, 2018</u>
Fixed-rate notes due 2020	\$ 404.5	2.875%	\$ 403.0
Fixed-rate notes due 2022	219.4	3.600%	221.9
Fixed-rate notes due 2025	800.5	4.000%	799.7
Fixed-rate notes due 2045	500.4	5.250%	515.3
Total assumed Senior Notes	<u>\$1,924.8</u>		<u>\$1,939.9</u>

The book values above include any premiums, discounts, and adjustments related to hedging instruments. For further details related to the interest rate derivative contracts, please see Note 16, Financial Instruments, to these Unaudited Consolidated Financial Statements.

Revolving Credit Facilities Agreement

On December 12, 2014, Shire entered into a \$2.1 billion revolving credit facilities agreement (RCF) with a number of financial institutions. As of September 30, 2018, the Company utilized \$915.0 million of the RCF. The RCF, which terminates on December 12, 2021, may be used for financing the general corporate purposes of Shire. The RCF incorporates a \$250.0 million U.S. dollar and Euro swingline facility operating as a sub-limit thereof.

Term Loan Facilities Agreements

November 2015 Facilities Agreement

On November 2, 2015, Shire entered into a \$5.6 billion facilities agreement (November 2015 Facilities Agreement), which comprised of three amortizing credit facilities with ultimate maturity on November 2, 2018. As of September 30, 2018, there were no amounts outstanding under the November 2015 Facilities Agreement as it was fully repaid and canceled on September 28, 2018.

Short-term uncommitted lines of credit (Credit lines)

Shire has access to various Credit lines from a number of banks which are available to be utilized from time to time to provide short-term cash management flexibility. These Credit lines can be withdrawn by the banks at any time. The Credit lines are not relied upon for core liquidity. As of September 30, 2018, these lines of credit were not utilized.

Capital Lease Obligations

The capital leases are primarily related to office and manufacturing facilities. As of September 30, 2018, the total capital lease obligations, including current portions, were \$366.8 million.

18. Retirement and Other Benefit Programs

The Company sponsors various pension and other post-employment benefit (OPEB) plans in the U.S. and other countries. Net periodic benefit cost for the three and nine months ended September 30, 2018 and 2017 is as follows:

	Three months ended September 30,					
	2018			2017		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
(In millions)						
Net periodic benefit cost						
Service cost	\$—	\$ 9.5	\$—	\$ 3.7	\$ 9.4	\$ 0.4
Interest cost	3.9	1.3	0.1	3.9	1.2	0.3
Expected return on plan assets	(4.3)	(2.0)	—	(4.0)	(1.8)	—
Amortization of net prior service cost . . .	—	—	(0.2)	—	—	—
Amortization of actuarial (gain)/loss . . .	—	(0.3)	—	—	0.4	—
Net periodic benefit cost	<u>\$(0.4)</u>	<u>\$ 8.5</u>	<u>\$(0.1)</u>	<u>\$ 3.6</u>	<u>\$ 9.2</u>	<u>\$ 0.7</u>

(In millions)	Nine months ended September 30,					
	2018			2017		
	U.S. pensions	International pensions	OPEB (U.S.)	U.S. pensions	International pensions	OPEB (U.S.)
Net periodic benefit cost						
Service cost	\$ —	\$28.5	\$—	\$ 11.1	\$28.2	\$ 1.2
Interest cost	11.7	3.9	0.3	11.7	3.6	0.9
Expected return on plan assets	(12.9)	(6.0)	—	(12.0)	(5.4)	—
Amortization of net prior service cost	—	—	(0.6)	—	—	—
Amortization of actuarial (gain)/loss	—	(0.9)	—	—	1.3	—
Net periodic benefit cost	<u>\$ (1.2)</u>	<u>\$25.5</u>	<u>\$(0.3)</u>	<u>\$ 10.8</u>	<u>\$27.7</u>	<u>\$ 2.1</u>

The components of net periodic benefit cost other than the service cost component are included in the line item Other (expense)/income, net in these Unaudited Consolidated Statements of Operations.

19. Accumulated Other Comprehensive Income/(Loss)

The changes in Accumulated other comprehensive income/(loss) (AOCI), net of their related tax effects, for the nine months ended September 30, 2018 and 2017 are as follows:

(In millions)	Foreign currency translation adjustment	Pension and other employee benefits	Unrealized holding gain/(loss) on available-for-sale debt securities	Accumulated other comprehensive income/(loss)
As of January 1, 2018	\$1,279.6	\$27.5	\$ 67.9	\$1,375.0
Current period change:				
Other comprehensive loss before reclassifications	(679.2)	—	—	(679.2)
Amounts reclassified from AOCI	—	(1.5)	(67.9)	(69.4)
Net current period other comprehensive loss	<u>(679.2)</u>	<u>(1.5)</u>	<u>(67.9)</u>	<u>(748.6)</u>
As of September 30, 2018	<u>\$ 600.4</u>	<u>\$26.0</u>	<u>\$ —</u>	<u>\$ 626.4</u>

On January 1, 2018, the Company adopted a new standard related to accounting for investments in equity securities. Upon adoption, the Company reclassified unrealized holding gain on available-for-sale equity securities totaling \$67.9 million to Retained earnings. For further information, refer to Note 2, Summary of Significant Accounting Policies, to these Unaudited Consolidated Financial Statements.

(In millions)	Foreign currency translation adjustment	Pension and other employee benefits	Unrealized holding loss on available-for-sale securities	Hedging activities	Accumulated other comprehensive (loss)/income
As of January 1, 2017	\$(1,505.4)	\$(5.2)	\$ 6.6	\$ 6.4	\$(1,497.6)
Current period change:					
Other comprehensive income before reclassifications	2,441.1	9.7	24.7	0.5	2,476.0
Amounts reclassified from AOCI	—	1.3	(4.4)	(6.2)	(9.3)
Net current period other comprehensive income/(loss)	<u>2,441.1</u>	<u>11.0</u>	<u>20.3</u>	<u>(5.7)</u>	<u>2,466.7</u>
As of September 30, 2017	<u>\$ 935.7</u>	<u>\$ 5.8</u>	<u>\$26.9</u>	<u>\$ 0.7</u>	<u>\$ 969.1</u>

Reclassifications from AOCI to net income during the three and nine months ended September 30, 2018 and 2017 were not material.

20. Taxation

For the three and nine months ended September 30, 2018, the effective tax rate on income from continuing operations was 28% (2017: 2%) and 18% (2017:4%), respectively.

The effective tax rate for the three and nine months ended September 30, 2018 has been affected by certain provisions of the U.S. Tax Cuts and Jobs Act (Tax Act) passed in December, 2017, which reduces the U.S. federal corporate income tax rate from 35% to 21% along with anti-deferral provisions related to non-U.S. operations, new limitations on certain deductions required under the Tax Act, and reductions in the quantum of and tax benefit associated with U.S. integration costs over the prior year.

The Company continued to assess the financial statement impact of the applicable provisions of the Tax Act upon enactment during the three and nine months ended September 30, 2018 and based on these assessments, income tax expense increased by \$60.0 million and \$37.9 million during these periods, respectively. The increase in tax expense recorded during the three and nine months ended September 30, 2018 was due to i) an adjustment to the U.S. deferred tax balances recorded as of December 31, 2017 related to the corporate income tax rate reduction of a \$15.0 million tax expense and \$7.1 million tax benefit, respectively; and ii) an increase to income tax expense of \$45.0 million related to the repatriation toll charge. The change in the toll charge was partially driven by an adjustment of \$31.0 million related to the tax rates applied to certain drivers of the provisional repatriation toll charge in 2017, as well as the finalization of inputs to the calculation of the repatriation toll charge and the refinement of the Company's computation for the various guidance and regulations issued during 2018. The changes to its original tax reform impacts increased the effective tax rate for the three and nine months ended September 30, 2018 by 8% and 2%, respectively.

It is expected that additional interpretive guidance will be issued during the measurement period that may change how the Company has computed the provisional amounts for the year ended December 31, 2017. The Company will continue to assess the impact of the Tax Act during the measurement period and will record any adjustments to its provisional estimates as needed during the remainder of the measurement period and continues to assert that all amounts recorded and disclosed to date remain provisional.

The effective tax rate for the three and nine months ended September 30, 2017 was affected by the combined impact of the relative quantum of the profit before tax for the period by jurisdiction as well as significant acquisition and integration costs. Additionally, certain discrete tax adjustments were recorded during the year, which contributed to the low effective rate, including a tax benefit associated with the filing of the US tax returns and reversal of prior period income tax reserves.

21. Earnings Per Share

The following table reconciles net income and the weighted average ordinary shares outstanding for basic and diluted earnings per share (EPS) for the periods presented:

(In millions)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Income from continuing operations, net of taxes	\$537.2	\$551.2	\$1,703.3	\$1,147.5
(Loss)/Gain from discontinued operations, net of taxes	—	(0.4)	—	18.6
Numerator for basic and diluted earnings per share	<u>\$537.2</u>	<u>\$550.8</u>	<u>\$1,703.3</u>	<u>\$1,166.1</u>
Weighted average number of shares:				
Basic	914.0	907.2	912.0	905.9
Effect of dilutive shares:				
Share-based awards to employees	7.1	4.4	4.9	6.2
Diluted	<u>921.1</u>	<u>911.6</u>	<u>916.9</u>	<u>912.1</u>

Weighted average number of basic shares excludes shares purchased by the Employee Benefit Trust and those under the shares buy-back program, which are both presented by Shire as treasury stock. Share-based awards to employees are calculated using the treasury method.

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

(Number of shares in millions)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Share-based awards to employees	<u>10.0</u>	<u>16.2</u>	<u>13.4</u>	<u>14.8</u>

Certain stock options have been excluded from the calculation of diluted EPS for three and nine months ended September 30, 2018 and 2017 because either their exercise prices exceeded Shire's average share price during the calculation period, the required performance conditions were not satisfied as of the balance sheet date or their inclusion would have been antidilutive.

22. Share-based Compensation Plans

Total share-based compensation recorded by the Company during the three and nine months ended September 30, 2018 and 2017 by line item is as follows:

(In millions)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of sales	\$ 6.3	\$ 17.4	\$ 21.2	\$ 30.1
Research and development	10.0	3.2	35.5	22.9
Selling, general and administrative	29.5	30.9	75.2	94.1
Integration and acquisition costs	3.0	1.8	3.8	12.6
Total	48.8	53.3	135.7	159.7
Less tax	(7.8)	(13.3)	(22.2)	(42.9)
	<u>\$41.0</u>	<u>\$ 40.0</u>	<u>\$113.5</u>	<u>\$116.8</u>

For further details on existing share-based compensation plans, refer to Note 23, Share-based Compensation Plans, of Shire's Annual Report on Form 10-K for the year ended December 31, 2017.

The Company amended the mix of performance share units to include market condition, based on relative total shareholder return, commencing with the 2018 annual grant.

During the nine months ended September 30, 2018, the Company made equity compensation grants to employees consisting of 10.8 million stock-settled share appreciation rights (SARs), 3.0 million restricted stock units (RSUs), and 0.9 million performance share units (PSUs) equivalent in ordinary shares.

23. Commitments and Contingencies

Leases

The Company leases land, facilities, motor vehicles, and certain equipment under operating leases expiring through 2045. For the three and nine months ended September 30, 2018 lease and rental expense amounted to \$49.4 million and \$136.9 million (2017: \$41.7 million and \$126.7 million, respectively), which is predominately included within Cost of sales and SG&A expenses in these Unaudited Consolidated Statement of Operations.

Letters of credit and guarantees

As of September 30, 2018 and December 31, 2017, the Company had irrevocable standby letters of credit and guarantees with various banks and insurance companies totaling \$249.5 million and \$224.8 million (being the contractual amounts), respectively, providing security for the Company's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations, and supply commitments.

Commitments

Clinical testing

As of September 30, 2018, the Company had committed to pay approximately \$1,451.3 million (December 31, 2017: \$1,409.9 million) to contract vendors for administering and executing clinical trials. The timing of these payments is dependent upon actual services performed by the organizations as determined by patient enrollment levels and related activities.

Contract manufacturing

As of September 30, 2018, the Company had committed to pay approximately \$910.8 million (December 31, 2017: \$467.2 million) in respect of contract manufacturing. The Company expects to pay \$169.5 million of these commitments in 2018.

Other purchasing commitments

As of September 30, 2018, the Company had committed to pay approximately \$1,363.0 million (December 31, 2017: \$1,692.5 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Company expects to pay \$839.4 million of these commitments in 2018.

Investment commitments

As of September 30, 2018, the Company had outstanding commitments to purchase common stock and interests in companies and partnerships, respectively, for amounts totaling \$48.0 million (December 31, 2017:

\$48.9 million), which may all be payable during 2018, depending on the timing of capital calls. The investment commitments include additional funding to certain variable interest entities (VIEs) for which Shire is not the primary beneficiary.

Capital commitments

As of September 30, 2018, the Company had committed to spend \$348.8 million (December 31, 2017: \$328.2 million) on capital projects.

Baxter related tax indemnification

Baxter International Inc. (Baxter) and Baxalta entered into a tax matters agreement, effective on the date of Baxalta's separation from Baxter, which employs a direct tracing approach, or where direct tracing approach is not feasible, an allocation methodology, to determine which company is liable for pre-separation income tax items for U.S. federal, state, and foreign jurisdictions. With respect to tax liabilities that are directly traceable or allocated to Baxalta but for which Baxalta was not the primary obligor, Baxalta recorded a tax indemnification amount that would be due to Baxter upon Baxter discharging the associated tax liability to the taxing authority.

24. Legal and Other Proceedings

The Company expenses legal costs when incurred.

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed before the ultimate loss is known, and are therefore refined each accounting period as additional information becomes known. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period. As of September 30, 2018, provision for litigation losses, insurance claims, and other disputes totaled \$82.0 million (December 31, 2017: \$76.2 million).

The Company's principal pending legal and other proceedings are disclosed below. The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Company discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable.

MYDAYIS

On October 12, 2017, Shire was notified that Teva Pharmaceuticals USA, Inc. had submitted an abbreviated new drug application (ANDA) to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Teva Pharmaceuticals USA, Inc., Actavis Laboratories, Inc. and Teva Pharmaceutical Industries Limited (collectively the "Teva entities"). A Markman hearing is scheduled to take place on January 23, 2019. A trial is scheduled to take place beginning on December 9, 2019.

On March 8, 2018, Shire was notified that Impax Laboratories, Inc. (Impax) had submitted an ANDA to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Impax. A Markman hearing is scheduled to take place on January 23, 2019. A trial is scheduled to take place beginning on December 9, 2019.

On April 19, 2018, Shire was notified that SpecGX LLC (SpecGX) had submitted an ANDA to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against SpecGx. No dates for a Markman hearing or trial have been set.

Petitions to institute inter partes reviews (IPRs) against U.S. Patent numbers 8,846,100 and 9,173,857 were filed by KVK Tech in January 2018 and the petitions were granted in July 2018. Both of these patents are listed in the Orange Book as covering MYDAYIS and are among the patents-in-suit in the infringement action brought against the Teva entities and Impax as noted above. A decision on the merits is expected on or before July 10, 2019.

VANCOGIN

On April 6, 2012, ViroPharma Incorporated (ViroPharma) received a notification that the United States Federal Trade Commission (FTC) was conducting an investigation into whether ViroPharma had engaged in unfair methods of competition with respect to VANCOGIN, which Shire acquired in January 2014. Following the divestiture of VANCOGIN in August 2014, Shire retained certain liabilities including any potential liabilities related to the VANCOGIN citizen petition.

On August 3, 2012, and September 8, 2014, ViroPharma and Shire respectively received Civil Investigative Demands from the FTC requesting additional information related to this matter. Shire has fully cooperated with the FTC's investigation.

On February 7, 2017, the FTC filed a Complaint against Shire alleging that ViroPharma engaged in conduct in violation of U.S. antitrust laws arising from a citizen petition ViroPharma filed in 2006 related to Food & Drug Administration's policy for evaluating bioequivalence for generic versions of VANCOGIN. The complaint seeks equitable relief, including an injunction and disgorgement. The Company filed a motion to dismiss on April 10, 2017. On March 20, 2018, the court granted the Company's motion. On April 11, 2018, the FTC filed a Notice of Appeal. The FTC's appeal is still pending.

At this time, Shire is unable to predict the outcome or duration of this case.

ELAPRASE

In 2014, Shire's Brazilian affiliate, Shire Farmaceutica Brasil Ltda, was served with a lawsuit brought by the State of Sao Paulo and in which the Brazilian Public Attorney's office has intervened alleging that Shire is obligated to provide certain medical care including ELAPRASE for an indefinite period at no cost to patients who participated in ELAPRASE clinical trials in Brazil, and seeking recoupment to the Brazilian government for amounts paid on behalf of these patients to date, and moral damages associated with these claims.

On May 6, 2016, the trial court judge ruled on the case and dismissed all the claims under the class action, which was appealed. On February 20, 2017, the Court of Appeals in Sao Paulo issued the final decision on merit in favor of Shire and dismissed all the claims under the class action. On July 12, 2017, the Public Prosecutor filed an appeal addressed to the Supreme Court. During the last quarter of 2017, the State of Sao Paulo filed appeals addressed to the Superior Court of Justice and to the Supreme Court.

25. Segment Reporting

In the first quarter of 2018, the Company announced a change to its internal structure to create two distinct business segments within Shire: a Rare Disease division and a Neuroscience division. The change was based on the Board's conclusion that the Neuroscience business warranted additional focus and investment and that there was a strong business rationale for creating the two divisions.

In the second quarter of 2018, the Company returned to a single segment approach to managing its business. This decision was precipitated by the Shire Board's acceptance of Takeda's offer to acquire the Company and reflects the Company's focus on the performance of the entire business as it operates in this current environment. This step was taken to more closely align with how the financial information is viewed by

the Executive Committee (Shire's chief operating decision maker) for the purposes of making resource allocation decisions and assessing the performance of the business. Additionally, in the second quarter of 2018, the Company introduced a new product franchise called Established Brands to capture revenue for its non-promoted products that are facing or could face generic competition, such as LIALDA and PENTASA. Comparative financial information for 2017 was retrospectively restated herein.

In the periods set out below, U.S. and International Product sales by franchise were as follows:

(In millions)	Three months ended					
	September 30, 2018			September 30, 2017		
	U.S. Sales	International Sales	Total Sales	U.S. Sales	International Sales	Total Sales
Product sales by franchise						
IMMUNOGLOBULIN THERAPIES	\$ 530.7	\$ 125.2	\$ 655.9	\$ 486.6	\$ 118.5	\$ 605.1
HEREDITARY ANGIOEDEMA	291.3	37.7	329.0	235.8	32.6	268.4
BIO THERAPEUTICS	91.9	120.4	212.3	86.3	110.3	196.6
Immunology	913.9	283.3	1,197.2	808.7	261.4	1,070.1
HEMOPHILIA	386.6	349.3	735.9	357.5	367.8	725.3
INHIBITOR THERAPIES	44.7	124.4	169.1	70.6	120.1	190.7
Hematology	431.3	473.7	905.0	428.1	487.9	916.0
VYVANSE	528.5	66.5	595.0	476.8	61.6	538.4
ADDERALL XR	71.5	4.8	76.3	99.4	6.6	106.0
MYDAYIS	19.3	—	19.3	10.2	—	10.2
Other Neuroscience ⁽¹⁾	0.9	40.2	41.1	6.7	29.8	36.5
Neuroscience	620.2	111.5	731.7	593.1	98.0	691.1
ELAPRASE	41.7	128.9	170.6	41.4	111.5	152.9
REPLAGAL	—	123.0	123.0	—	117.2	117.2
VPRIV	39.0	48.8	87.8	37.5	52.1	89.6
Genetic Diseases	80.7	300.7	381.4	78.9	280.8	359.7
LIALDA/MEZAVANT	88.9	30.2	119.1	61.4	25.3	86.7
PENTASA	65.7	—	65.7	72.1	—	72.1
Other Established Brands ⁽²⁾	10.7	21.0	31.7	11.4	20.3	31.7
Established Brands	165.3	51.2	216.5	144.9	45.6	190.5
GATTEX/REVESTIVE	82.2	14.9	97.1	72.6	12.3	84.9
NATPARA/NATPAR	47.8	3.2	51.0	39.1	—	39.1
Other Internal Medicine ⁽³⁾	0.1	28.9	29.0	0.6	35.9	36.5
Internal Medicine	130.1	47.0	177.1	112.3	48.2	160.5
Ophthalmics	92.1	1.3	93.4	77.4	—	77.4
Oncology⁽⁴⁾	33.4	17.1	50.5	47.2	21.3	68.5
Total product sales	<u>\$2,467.0</u>	<u>\$1,285.8</u>	<u>\$3,752.8</u>	<u>\$2,290.6</u>	<u>\$1,243.2</u>	<u>\$3,533.8</u>

(1) Other Neuroscience includes INTUNIV, EQUASYM, and BUCCOLAM.

(2) Other Established Brands includes FOSRENOL and CARBATROL.

(3) Other Internal Medicine includes AGRYLIN, PLENADREN, and RESOLOR.

(4) Results include the Oncology franchise until the date of its sale on August 31, 2018.

In the periods set out below, Royalties and other revenues were as follows:

(In millions)	Three months ended	
	September 30, 2018	September 30, 2017
Royalties	\$ 45.1	\$111.4
Other revenues	73.8	52.4
Royalties and other revenues	\$118.9	\$163.8

(In millions)	Nine months ended					
	September 30, 2018			September 30, 2017		
	U.S. Sales	International Sales	Total Sales	U.S. Sales	International Sales	Total Sales
Product sales by franchise						
IMMUNOGLOBULIN THERAPIES ..	\$1,409.6	\$ 416.3	\$ 1,825.9	\$1,299.9	\$ 314.0	\$ 1,613.9
HEREDITARY ANGIOEDEMA	949.9	113.1	1,063.0	878.9	89.5	968.4
BIO THERAPEUTICS	254.8	328.9	583.7	231.9	314.8	546.7
Immunology	2,614.3	858.3	3,472.6	2,410.7	718.3	3,129.0
HEMOPHILIA	1,152.6	1,072.8	2,225.4	1,082.1	1,037.5	2,119.6
INHIBITOR THERAPIES	160.5	422.7	583.2	217.4	414.5	631.9
Hematology	1,313.1	1,495.5	2,808.6	1,299.5	1,452.0	2,751.5
VYVANSE	1,572.3	207.5	1,779.8	1,445.4	174.9	1,620.3
ADDERALL XR	219.4	12.7	232.1	225.9	16.4	242.3
MYDAYIS	40.4	—	40.4	25.9	—	25.9
Other Neuroscience ⁽¹⁾	6.0	111.8	117.8	13.5	77.8	91.3
Neuroscience	1,838.1	332.0	2,170.1	1,710.7	269.1	1,979.8
ELAPRASE	126.6	338.9	465.5	119.4	335.1	454.5
REPLAGAL	—	372.8	372.8	—	349.0	349.0
VPRIV	113.9	153.4	267.3	110.3	147.0	257.3
Genetic Diseases	240.5	865.1	1,105.6	229.7	831.1	1,060.8
LIALDA/MEZAVANT	194.8	92.2	287.0	402.0	67.6	469.6
PENTASA	215.6	—	215.6	224.5	—	224.5
Other Established Brands ⁽²⁾	43.8	62.1	105.9	67.0	55.3	122.3
Established Brands	454.2	154.3	608.5	693.5	122.9	816.4
GATTEX/REVESTIVE	280.2	46.6	326.8	193.3	35.9	229.2
NATPARA/NATPAR	153.5	7.3	160.8	103.2	0.1	103.3
Other Internal Medicine ⁽³⁾	0.8	100.5	101.3	1.3	103.9	105.2
Internal Medicine	434.5	154.4	588.9	297.8	139.9	437.7
Ophthalmics	252.9	2.9	255.8	173.4	—	173.4
Oncology⁽⁴⁾	124.8	63.6	188.4	135.3	54.0	189.3
Total product sales	\$7,272.4	\$3,926.1	\$11,198.5	\$6,950.6	\$3,587.3	\$10,537.9

(1) Other Neuroscience includes INTUNIV, EQUASYM, and BUCCOLAM.

(2) Other Established Brands includes FOSRENOL and CARBATROL.

(3) Other Internal Medicine includes AGRYLIN, PLENADREN, and RESOLOR.

(4) Results include the Oncology franchise until the date of its sale on August 31, 2018.

In the periods set out below, Royalties and other revenues were as follows:

(In millions)	Nine months ended	
	September 30, 2018	September 30, 2017
Royalties	\$175.4	\$329.7
Other revenues	183.0	148.1
Royalties and other revenues	\$358.4	\$477.8

26. Agreements and Transactions with Baxter

In connection with Baxalta’s separation from Baxter on July 1, 2015, Baxalta and Baxter entered into several separation-related agreements that provided a framework for Baxalta’s relationship with Baxter after the separation. These agreements, among others, included a manufacturing and supply agreement, a transition services agreement and a tax matters agreement. For further details on existing agreements with Baxter, refer to Note 28, Agreements and Transactions with Baxter, of Shire’s Annual Report on Form 10-K for the year ended December 31, 2017.

During the three and nine months ended September 30, 2018, the Company reported revenues associated with the manufacturing and supply agreement with Baxter of approximately \$57.6 million and \$142.6 million, respectively (2017: \$35.8 million and \$106.5 million, respectively) and Selling, general and administrative expense associated with the transition services agreement with Baxter of approximately \$0.3 million and \$10.2 million, respectively and (2017: \$9.8 million and \$43.5 million, respectively). Net tax-related indemnification liabilities as of September 30, 2018, associated with the tax matters agreement with Baxter are discussed in Note 23, Commitments and Contingencies, of these Unaudited Consolidated Financial Statements.

27. Guarantor Financial Information

On June 3, 2016, Shire plc provided full and unconditional, joint and several guarantees of the floating rate senior notes due 2018, 2.000% senior notes due 2018 (repaid upon maturity in June 2018), 2.875% senior notes due 2020, 3.600% senior notes due 2022, 4.000% senior notes due 2025, and 5.250% senior notes due 2045 (collectively, “Baxalta Notes”), of Baxalta Inc., a 100% owned subsidiary of the Company. Amounts related to Baxalta Inc. and its subsidiaries are included in the condensed consolidating financial information for periods subsequent to June 3, 2016, the date of Baxalta Inc.’s acquisition.

On September 23, 2016, Shire plc provided full and unconditional, joint and several guarantees of the 1.900% senior notes due 2019, 2.400% senior notes due 2021, 2.875% senior notes due 2023, and 3.200% senior notes due 2026, of SAIIDAC (collectively, “SAIIDAC Notes”), a 100% owned subsidiary of the Company.

On December 1, 2016, Baxalta Inc. became a guarantor to the SAIIDAC Notes. Accordingly, both Baxalta Inc. and Shire plc are now co-guarantors of the SAIIDAC Notes.

On September 11, 2018, Shire purchased an aggregate of \$2.3 billion in principal amount of Baxalta Notes. For further information, refer to Note 17, Borrowings and Capital Leases, to these unaudited Consolidated Financial Statements.

In accordance with the requirements of SEC Regulation S-X Rule 3-10 “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered”, the following tables present Unaudited Condensed Consolidating Financial Statements of the two separate guarantee structures of the Baxalta Notes and SAIIDAC Notes, for:

- Shire plc - Parent Guarantor;

- SAIIDAC Subsidiary Issuer - issuer subsidiary of the SAIIDAC Notes; (a)
- Baxalta Inc. - issuer subsidiary of the Baxalta Notes and guarantor subsidiary of the SAIIDAC Notes; (b)
- Non-Guarantor Non-Issuer Subsidiaries - presents all other subsidiaries of the Parent Guarantor on a combined basis, none of which guarantee the Baxalta Notes or SAIIDAC Notes; (c)
- Non-Guarantor Subsidiaries of Baxalta Notes - presents combined Non-Guarantor Non-Issuer Subsidiaries, including SAIIDAC, under the guarantee structure where Baxalta Inc. is the subsidiary issuer (a+c); and
- Eliminations - primarily relate to eliminations of investments in subsidiaries and intercompany balances and transactions.

The Unaudited Condensed Consolidating Financial Statements present investments in subsidiaries using the equity method of accounting.

Condensed Consolidating Balance Sheets
(Unaudited, In millions)

As of September 30, 2018	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 193.2	\$ 193.2	\$ —	\$ 193.2
Restricted cash	—	—	—	39.9	39.9	—	39.9
Accounts receivable, net ...	—	—	—	3,207.4	3,207.4	—	3,207.4
Inventories	—	—	—	3,458.7	3,458.7	—	3,458.7
Other current assets	—	1.5	81.2	817.4	818.9	—	900.1
Intercompany receivables ..	—	41.0	—	7,811.8	7,852.8	(7,852.8)	—
Short term intercompany loan receivable	—	4,210.3	—	—	4,210.3	(4,210.3)	—
Total current assets	—	4,252.8	81.2	15,528.4	19,781.2	(12,063.1)	7,799.3
Non-current assets:							
Investments	44,695.6	—	38,547.8	13,312.3	13,312.3	(96,085.0)	470.7
Property, plant and equipment (PP&E), net ..	—	—	4.6	6,448.4	6,448.4	—	6,453.0
Goodwill	—	—	—	19,095.0	19,095.0	—	19,095.0
Intangible assets, net	—	—	—	29,625.4	29,625.4	—	29,625.4
Deferred tax asset	—	—	304.1	151.2	151.2	(304.1)	151.2
Long term intercompany loan receivable	—	8,763.6	3,507.0	—	8,763.6	(12,270.6)	—
Other non-current assets ...	—	1.9	—	169.4	171.3	—	171.3
Total assets	\$44,695.6	\$13,018.3	\$42,444.7	\$84,330.1	\$97,348.4	\$(120,722.8)	\$63,765.9
LIABILITIES AND EQUITY							
Current liabilities:							
Accounts payable and accrued expenses	\$ 6.4	\$ 8.0	\$ 33.6	\$ 3,977.1	\$ 3,985.1	\$ —	\$ 4,025.1
Short term borrowings and capital leases	—	4,210.3	—	38.4	4,248.7	—	4,248.7
Intercompany payables	3,612.5	—	4,240.3	—	—	(7,852.8)	—
Short term intercompany loan payable	—	—	—	4,210.3	4,210.3	(4,210.3)	—
Other current liabilities	—	—	3.8	234.0	234.0	—	237.8
Total current liabilities	3,618.9	4,218.3	4,277.7	8,459.8	12,678.1	(12,063.1)	8,511.6
Long term borrowings and capital leases	—	8,763.6	1,939.9	394.5	9,158.1	—	11,098.0
Deferred tax liability	—	—	—	4,875.3	4,875.3	(304.1)	4,571.2
Long term intercompany loan payable	3,786.5	—	—	8,484.1	8,484.1	(12,270.6)	—
Other non-current liabilities	—	—	60.3	2,234.6	2,234.6	—	2,294.9
Total liabilities	7,405.4	12,981.9	6,277.9	24,448.3	37,430.2	(24,637.8)	26,475.7
Total equity	37,290.2	36.4	36,166.8	59,881.8	59,918.2	(96,085.0)	37,290.2
Total liabilities and equity	\$44,695.6	\$13,018.3	\$42,444.7	\$84,330.1	\$97,348.4	\$(120,722.8)	\$63,765.9

Condensed Consolidating Balance Sheets
(Unaudited, In millions)

As of December 31, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents \$ — \$ — \$ 0.5 \$ 471.9 \$ 471.9 \$ — \$ 472.4							
Restricted cash — — — 39.4 39.4 — 39.4							
Accounts receivable, net . . . — — — 3,009.8 3,009.8 — 3,009.8							
Inventories — — — 3,291.5 3,291.5 — 3,291.5							
Other current assets — — 1.6 95.2 698.5 700.1 — 795.3							
Intercompany receivables . . — — 120.2 — 4,682.3 4,802.5 (4,802.5) —							
Short term intercompany loan receivable — — 2,006.3 — — 2,006.3 (2,006.3) —							
Total current assets — 2,128.1 95.7 12,193.4 14,321.5 (6,808.8) 7,608.4							
Non-current assets:							
Investments 43,204.3 — 38,924.6 13,059.4 13,059.4 (94,947.2) 241.1							
Property, plant and equipment (PP&E), net . . — — — 7.6 6,627.8 6,627.8 — 6,635.4							
Goodwill — — — — 19,831.7 19,831.7 — 19,831.7							
Intangible assets, net — — — — 33,046.1 33,046.1 — 33,046.1							
Deferred tax asset — — — 304.1 188.8 188.8 (304.1) 188.8							
Long term intercompany loan receivable — — 12,050.2 1,609.3 — 12,050.2 (13,659.5) —							
Other non-current assets . . — — 2.8 — 202.6 205.4 — 205.4							
Total assets <u>\$43,204.3</u> <u>\$14,181.1</u> <u>\$40,941.3</u> <u>\$85,149.8</u> <u>\$99,330.9</u> <u>\$(115,719.6)</u> <u>\$67,756.9</u>							
LIABILITIES AND EQUITY							
Current liabilities:							
Accounts payable and accrued expenses \$ 0.2 \$ 85.9 \$ 18.1 \$ 4,080.3 \$ 4,166.2 \$ — \$ 4,184.5							
Short term borrowings and capital leases — 2,006.3 748.8 33.6 2,039.9 — 2,788.7							
Intercompany payables . . . 3,585.3 — 1,217.2 — — (4,802.5) —							
Short term intercompany loan payable — — — 2,006.3 2,006.3 (2,006.3) —							
Other current liabilities . . . 573.5 — 10.7 324.6 324.6 — 908.8							
Total current liabilities . . . 4,159.0 2,092.2 1,994.8 6,444.8 8,537.0 (6,808.8) 7,882.0							
Long term borrowings and capital leases — 12,050.2 4,308.9 393.3 12,443.5 — 16,752.4							
Deferred tax liability — — — 5,052.3 5,052.3 (304.1) 4,748.2							
Long term intercompany loan payable 2,868.9 — — 10,790.6 10,790.6 (13,659.5) —							
Other non-current liabilities — — 70.0 2,127.9 2,127.9 — 2,197.9							
Total liabilities <u>7,027.9</u> <u>14,142.4</u> <u>6,373.7</u> <u>24,808.9</u> <u>38,951.3</u> <u>(20,772.4)</u> <u>31,580.5</u>							
Total equity <u>36,176.4</u> <u>38.7</u> <u>34,567.6</u> <u>60,340.9</u> <u>60,379.6</u> <u>(94,947.2)</u> <u>36,176.4</u>							
Total liabilities and equity <u>\$43,204.3</u> <u>\$14,181.1</u> <u>\$40,941.3</u> <u>\$85,149.8</u> <u>\$99,330.9</u> <u>\$(115,719.6)</u> <u>\$67,756.9</u>							

Condensed Consolidating Statements of Operations
(Unaudited, In millions)

Three months ended September 30, 2018	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$—	\$ —	\$3,752.8	\$3,752.8	\$ —	\$3,752.8
Royalties and other revenues	—	—	—	118.9	118.9	—	118.9
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,871.7</u>	<u>3,871.7</u>	<u>—</u>	<u>3,871.7</u>
Costs and expenses:							
Cost of sales	—	—	—	1,157.6	1,157.6	—	1,157.6
Research and development	—	—	—	407.2	407.2	—	407.2
Selling, general and administrative	(14.5)	—	—	851.3	851.3	—	836.8
Amortization of acquired intangible assets	—	—	—	433.7	433.7	—	433.7
Integration and acquisition costs	45.0	—	5.3	42.7	42.7	—	93.0
Reorganization costs	—	—	—	254.8	254.8	—	254.8
Gain on sale of Oncology franchise and product rights	—	—	—	(267.2)	(267.2)	—	(267.2)
Total operating expenses	<u>30.5</u>	<u>—</u>	<u>5.3</u>	<u>2,880.1</u>	<u>2,880.1</u>	<u>—</u>	<u>2,915.9</u>
Operating income/(loss) from continuing operations	(30.5)	—	(5.3)	991.6	991.6	—	955.8
Interest income/(expense), net	(43.7)	5.6	(37.1)	(48.7)	(43.1)	—	(123.9)
Other income/(expense), net	0.2	—	(24.8)	(71.5)	(71.5)	—	(96.1)
Total other income/ (expense), net	<u>(43.5)</u>	<u>5.6</u>	<u>(61.9)</u>	<u>(120.2)</u>	<u>(114.6)</u>	<u>—</u>	<u>(220.0)</u>
Income/(loss) from continuing operations before income taxes and equity in earnings/ (losses) of equity method investees	(74.0)	5.6	(67.2)	871.4	877.0	—	735.8
Income taxes	0.2	(2.4)	15.2	(216.3)	(218.7)	—	(203.3)
Equity in earnings/(losses) of equity method investees, net of taxes	<u>611.0</u>	<u>—</u>	<u>(74.2)</u>	<u>4.7</u>	<u>4.7</u>	<u>(536.8)</u>	<u>4.7</u>
Income/(loss) from continuing operations, net of taxes	<u>537.2</u>	<u>3.2</u>	<u>(126.2)</u>	<u>659.8</u>	<u>663.0</u>	<u>(536.8)</u>	<u>537.2</u>
Net income/(loss)	<u>537.2</u>	<u>3.2</u>	<u>(126.2)</u>	<u>659.8</u>	<u>663.0</u>	<u>(536.8)</u>	<u>537.2</u>
Comprehensive income/ (loss)	<u>\$436.0</u>	<u>\$ 3.2</u>	<u>\$(220.3)</u>	<u>\$ 558.6</u>	<u>\$ 561.8</u>	<u>\$(341.5)</u>	<u>\$ 436.0</u>

Condensed Consolidating Statements of Operations
(Unaudited, In millions)

Nine months ended September 30, 2018	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$ —	\$ —	\$ 11,198.5	\$ 11,198.5	\$ —	\$ 11,198.5
Royalties and other revenues	—	—	—	358.4	358.4	—	358.4
Total revenues	—	—	—	11,556.9	11,556.9	—	11,556.9
Costs and expenses:							
Cost of sales	—	—	—	3,398.3	3,398.3	—	3,398.3
Research and development	—	—	—	1,240.0	1,240.0	—	1,240.0
Selling, general and administrative	76.4	—	7.2	2,465.7	2,465.7	—	2,549.3
Amortization of acquired intangible assets	—	—	—	1,375.3	1,375.3	—	1,375.3
Integration and acquisition costs	142.7	—	7.4	361.9	361.9	—	512.0
Reorganization costs	—	—	—	268.9	268.9	—	268.9
Gain on sale of Oncology franchise and product rights	—	—	—	(267.2)	(267.2)	—	(267.2)
Total operating expenses	219.1	—	14.6	8,842.9	8,842.9	—	9,076.6
Operating income/(loss) from continuing operations	(219.1)	—	(14.6)	2,714.0	2,714.0	—	2,480.3
Interest income/(expense), net	(110.4)	(2.2)	(91.6)	(169.1)	(171.3)	—	(373.3)
Other income/(expense), net	—	—	(23.9)	(20.0)	(20.0)	—	(43.9)
Total other income/ (expense), net	(110.4)	(2.2)	(115.5)	(189.1)	(191.3)	—	(417.2)
Income/(loss) from continuing operations before income taxes and equity in earnings/(losses) of equity method investees	(329.5)	(2.2)	(130.1)	2,524.9	2,522.7	—	2,063.1
Income taxes	17.4	0.6	28.4	(417.4)	(416.8)	—	(371.0)
Equity in earnings/(losses) of equity method investees, net of taxes	2,015.4	—	243.2	11.2	11.2	(2,258.6)	11.2
Income/(loss) from continuing operations, net of taxes	1,703.3	(1.6)	141.5	2,118.7	2,117.1	(2,258.6)	1,703.3
Net income/(loss)	1,703.3	(1.6)	141.5	2,118.7	2,117.1	(2,258.6)	1,703.3
Comprehensive income/ (loss)	\$ 954.7	\$ (1.6)	\$ (538.7)	\$ 1,370.1	\$ 1,368.5	\$ (829.8)	\$ 954.7

Condensed Consolidating Statements of Operations
(Unaudited, In millions)

Three months ended September 30, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$—	\$ —	\$3,533.8	\$3,533.8	\$ —	\$3,533.8
Royalties and other revenues	—	—	—	163.8	163.8	—	163.8
Total revenues	—	—	—	3,697.6	3,697.6	—	3,697.6
Costs and expenses:							
Cost of sales	—	—	—	1,001.4	1,001.4	—	1,001.4
Research and development	—	—	—	402.8	402.8	—	402.8
Selling, general and administrative	6.1	—	4.0	849.6	849.6	—	859.7
Amortization of acquired intangible assets	—	—	—	482.4	482.4	—	482.4
Integration and acquisition costs	—	—	9.2	227.8	227.8	—	237.0
Reorganization costs	—	—	—	5.4	5.4	—	5.4
Loss on sale of product rights	—	—	—	0.3	0.3	—	0.3
Total operating expenses ...	6.1	—	13.2	2,969.7	2,969.7	—	2,989.0
Operating income/(loss) from continuing operations	(6.1)	—	(13.2)	727.9	727.9	—	708.6
Interest income/(expense), net	(48.0)	3.0	(23.6)	(71.7)	(68.7)	—	(140.3)
Other income/(expense), net	—	—	4.4	(4.6)	(4.6)	—	(0.2)
Total other income/ (expense), net	(48.0)	3.0	(19.2)	(76.3)	(73.3)	—	(140.5)
Income/(loss) from continuing operations before income taxes and equity in earnings/(losses) of equity method investees	(54.1)	3.0	(32.4)	651.6	654.6	—	568.1
Income taxes	0.9	0.6	(8.9)	(6.1)	(5.5)	—	(13.5)
Equity in earnings/(losses) of equity method investees, net of taxes ...	604.0	—	(79.8)	(3.3)	(3.3)	(524.3)	(3.4)
Income/(loss) from continuing operations, net of taxes	550.8	3.6	(121.1)	642.2	645.8	(524.3)	551.2
Loss from discontinued operations, net of taxes ...	—	—	—	(0.4)	(0.4)	—	(0.4)
Net income/(loss)	550.8	3.6	(121.1)	641.8	645.4	(524.3)	550.8
Comprehensive income/ (loss)	\$1,319.8	\$ 3.6	\$ 581.0	\$1,411.2	\$1,414.8	\$(1,995.8)	\$1,319.8

Condensed Consolidating Statements of Operations
(Unaudited, In millions)

Nine months ended September 30, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
Revenues:							
Product sales	\$ —	\$ —	\$ —	\$10,537.9	\$10,537.9	\$ —	\$10,537.9
Royalties and other revenues	—	—	—	477.8	477.8	—	477.8
Total revenues	—	—	—	11,015.7	11,015.7	—	11,015.7
Costs and expenses:							
Cost of sales	—	—	—	3,437.3	3,437.3	—	3,437.3
Research and development	—	—	—	1,324.5	1,324.5	—	1,324.5
Selling, general and administrative	24.2	—	15.3	2,608.2	2,608.2	—	2,647.7
Amortization of acquired intangible assets	—	—	—	1,280.5	1,280.5	—	1,280.5
Integration and acquisition costs	164.7	—	52.3	479.7	479.7	—	696.7
Reorganization costs	—	—	—	24.5	24.5	—	24.5
Loss on sale of product rights	—	—	—	(0.4)	(0.4)	—	(0.4)
Total operating expenses ...	188.9	—	67.6	9,154.3	9,154.3	—	9,410.8
Operating income/(loss) from continuing operations	(188.9)	—	(67.6)	1,861.4	1,861.4	—	1,604.9
Interest income/(expense), net	(109.1)	14.5	(66.5)	(258.6)	(244.1)	—	(419.7)
Other income/(expense), net	1.8	—	4.3	0.7	0.7	—	6.8
Total other income/ (expense), net	(107.3)	14.5	(62.2)	(257.9)	(243.4)	—	(412.9)
Income/(loss) from continuing operations before income taxes and equity in earnings/(losses) of equity method investees	(296.2)	14.5	(129.8)	1,603.5	1,618.0	—	1,192.0
Income taxes	1.7	(3.6)	(45.0)	2.3	(1.3)	—	(44.6)
Equity in earnings/(losses) of equity method investees, net of taxes ...	1,460.6	—	(119.7)	0.1	0.1	(1,340.9)	0.1
Income/(loss) from continuing operations, net of taxes	1,166.1	10.9	(294.5)	1,605.9	1,616.8	(1,340.9)	1,147.5
Gain from discontinued operations, net of taxes ...	—	—	—	18.6	18.6	—	18.6
Net income/(loss)	1,166.1	10.9	(294.5)	1,624.5	1,635.4	(1,340.9)	1,166.1
Comprehensive income/ (loss)	\$3,632.8	\$10.9	\$2,031.5	\$ 4,088.2	\$ 4,099.1	\$(6,130.6)	\$ 3,632.8

Condensed Consolidating Statements of Cash Flows
(Unaudited, In millions)

Nine months ended September 30, 2018	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net cash provided by/(used in) operating activities	\$(251.2)	\$ (17.4)	\$ 264.2	\$ 2,811.9	\$ 2,794.5	\$ —	\$ 2,807.5
CASH FLOWS FROM INVESTING ACTIVITIES:							
Transactions with subsidiaries	(228.0)	(16,010.0)	(11,268.3)	(32,187.9)	(48,197.9)	59,694.2	—
Proceeds from sale of Oncology franchise	—	—	—	2,412.2	2,412.2	—	2,412.2
Purchases of PP&E	—	—	—	(564.6)	(564.6)	—	(564.6)
Acquisition of business, net of cash acquired	—	—	—	(104.7)	(104.7)	—	(104.7)
Proceeds from sale of investments	—	—	—	31.8	31.8	—	31.8
Other, net	—	—	—	(97.9)	(97.9)	—	(97.9)
Net cash provided by/(used in) investing activities	(228.0)	(16,010.0)	(11,268.3)	(30,511.1)	(46,521.1)	59,694.2	1,676.8
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from revolving line of credit, long term and short term borrowings	—	2,685.0	—	1,050.3	3,735.3	—	3,735.3
Repayment of revolving line of credit, long term and short term borrowings	—	(3,780.0)	(3,129.5)	(1,059.5)	(4,839.5)	—	(7,969.0)
Proceeds from/(to) intercompany borrowings	923.5	17,122.4	14,142.0	27,506.3	44,628.7	(59,694.2)	—
Contingent consideration payment	(396.0)	—	—	—	—	—	(396.0)
Payment of dividend	(48.6)	—	—	(228.0)	(228.0)	—	(276.6)
Proceeds from issuance of stock for share-based compensation arrangements	0.3	—	9.1	171.4	171.4	—	180.8
Other, net	—	—	(18.0)	(7.6)	(7.6)	—	(25.6)
Net cash provided by/(used in) financing activities	479.2	16,027.4	11,003.6	27,432.9	43,460.3	(59,694.2)	(4,751.1)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	(11.9)	(11.9)	—	(11.9)
Net decrease in cash, cash equivalents and restricted cash	—	—	(0.5)	(278.2)	(278.2)	—	(278.7)
Cash, cash equivalents and restricted cash at beginning of period	—	—	0.5	511.3	511.3	—	511.8
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ —	\$ —	\$ 233.1	\$ 233.1	\$ —	\$ 233.1

Condensed Consolidating Statements of Cash Flows
(Unaudited, In millions)

Nine months ended September 30, 2017	Shire plc (Parent Guarantor)	SAIIDAC (SAIIDAC Notes Subsidiary Issuer)	Baxalta Inc. (Baxalta Notes Subsidiary Issuer and SAIIDAC Notes Subsidiary Guarantor)	Non-Guarantor Non-Issuer Subsidiaries	Non-Guarantor Subsidiaries of Baxalta Notes	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net cash provided by/(used in) operating activities . . .	\$ (102.9)	\$ (62.9)	\$ 0.6	\$ 2,902.3	\$ 2,839.4	\$ —	\$ 2,737.1
CASH FLOWS FROM INVESTING ACTIVITIES:							
Transactions with subsidiaries	(1,339.3)	(262.9)	(659.3)	(4,209.1)	(4,472.0)	6,470.6	—
Purchases of PP&E	—	—	—	(565.5)	(565.5)	—	(565.5)
Proceeds/(payments) from sale of investments	—	—	(9.8)	57.9	57.9	—	48.1
Other, net	—	—	—	34.8	34.8	—	34.8
Net cash provided by/(used in) investing activities . . .	(1,339.3)	(262.9)	(669.1)	(4,681.9)	(4,944.8)	6,470.6	(482.6)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from revolving line of credit, long term and short term borrowings . . .	2,110.0	1,150.0	—	1.6	1,151.6	—	3,261.6
Repayment of revolving line of credit, long term and short term borrowings . . .	(2,560.0)	(3,100.0)	—	(4.5)	(3,104.5)	—	(5,664.5)
Proceeds from/(to) intercompany borrowings	1,919.6	2,275.8	623.9	1,651.3	3,927.1	(6,470.6)	—
Payment of dividend	(27.6)	—	—	(207.1)	(207.1)	—	(234.7)
Proceeds from issuance of stock for share-based compensation arrangements	0.2	—	4.6	87.4	87.4	—	92.2
Other, net	—	—	(0.8)	(25.4)	(25.4)	—	(26.2)
Net cash provided by/(used in) financing activities . . .	1,442.2	325.8	627.7	1,503.3	1,829.1	(6,470.6)	(2,571.6)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	6.2	6.2	—	6.2
Net decrease in cash and cash equivalents and restricted cash	—	—	(40.8)	(270.1)	(270.1)	—	(310.9)
Cash, cash equivalents, and restricted cash at beginning of period	—	—	41.7	512.8	512.8	—	554.5
Cash, cash equivalents, and restricted cash at end of period	\$ —	\$ —	\$ 0.9	\$ 242.7	\$ 242.7	\$ —	\$ 243.6

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

On May 8, 2018, Takeda and Shire signed a Co-operation Agreement and announced an offer to acquire all of the issued and to-be-issued share capital of Shire. The unaudited pro forma condensed combined financial data set forth below gives effect to the following:

- the Shire Acquisition, which is expected to close in the first half of 2019, the actual date of close to be determined (the “Closing”);
- the financing obtained by Takeda to fund the cash portion of the acquisition consideration; and
- the issuance of shares of Takeda to shareholders of Shire (collectively, the “Transactions”).

The final purchase price will vary based on the exchange rate at the date of the Closing and the Takeda share price on that date. The terms and conditions of the financing that will be used to fund the acquisition, including the amount of debt we actually incur, have not been finally determined and are subject to change.

The unaudited pro forma condensed combined statement of financial position gives effect to these transactions as if they occurred on March 31, 2018 and the unaudited pro forma condensed combined statements of income give effect to these transactions as if they occurred as of April 1, 2017. The unaudited pro forma condensed combined financial information has been prepared by management in accordance with the regulations of the SEC and is not necessarily indicative of what the combined company’s financial position or results of operations actually would have been had the Shire Acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or results of operations of the combined entity. There were no material transactions between Shire and Takeda during the period presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting under IFRS, with Takeda being the accounting acquirer. The pro forma adjustments are preliminary and based on currently available information. The pro forma adjustments have been made solely for the purpose of preparing these unaudited pro forma condensed combined financial statements. Differences between these preliminary estimates and the final acquisition accounting will likely occur, and these differences could be material. The differences, if any, could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and Takeda’s future results of operations and financial position.

In addition, the unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve as a result of the Shire Acquisition; the costs to integrate the operations of Shire or the costs necessary to achieve these cost savings, operating synergies, and revenue enhancements.

The unaudited pro forma condensed combined financial information gives pro forma effect to events that are directly attributable to the Shire Acquisition, are factually supportable, and with respect to the unaudited pro forma condensed combined statements of operations, are expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined statement of income excludes ¥25,070 million of non-recurring costs expected to be incurred in connection with the acquisition and the impact of any incremental cost of sales related to the recognition of Shire’s inventory at fair value of ¥411,891 million, which is expected to be recorded within the first year after Closing.

All financial data included in the unaudited condensed combined financial information is presented in millions of Japanese yen and has been prepared on the basis of IFRS and Takeda’s accounting policies. For the purpose of the pro forma condensed combined financial information, Shire’s historical financial information as

of and for the year ended December 31, 2017, has been conformed from U.S. GAAP to IFRS and Takeda's accounting policies for material accounting policy differences based on information available to Takeda.

The unaudited pro forma condensed combined financial information set forth below should be read in conjunction with the audited consolidated financial statements and the related notes of Takeda and Shire included in this registration statement. Amounts shown in the tables below have been rounded to the nearest indicated digit unless otherwise specified. As a result, the sum of the components may not equal the total amount reported due to rounding.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2018
(millions of JPY)

	<u>Takeda</u>	<u>Shire (A)</u>	<u>Pro forma Adjustments</u>	<u>Note</u>	<u>Pro forma</u>
ASSETS					
Noncurrent assets:					
Property, plant, and equipment	536,801	749,012	37,949	(B)	1,323,762
Goodwill	1,029,248	2,238,458	588,639	(B)(ii)(c)	3,856,345
Intangible assets	1,014,264	3,744,677	1,868,102	(B)(ii)(a)	6,627,043
Deferred tax asset	64,980	35,611	893	(E)	101,484
Other	382,362	50,340	—		432,702
Total non-current assets	<u>3,027,655</u>	<u>6,818,098</u>	<u>2,495,583</u>		<u>12,341,336</u>
Current assets:					
Inventories	212,944	371,571	457,657	(B)	1,042,172
Trade and other receivables	420,247	394,864	—		815,111
Cash and cash equivalents	294,522	57,677	110,763	(C)	462,962
Other current assets	151,095	51,479	—		202,574
Total current assets	<u>1,078,808</u>	<u>875,591</u>	<u>568,420</u>		<u>2,522,819</u>
Total assets	<u>4,106,463</u>	<u>7,693,689</u>	<u>3,064,003</u>		<u>14,864,155</u>
LIABILITIES					
Noncurrent liabilities:					
Bonds and loans	985,644	1,858,972	—		2,844,616
Net defined benefit liabilities	87,611	66,056	—		153,667
Deferred tax liabilities	90,725	535,912	588,433	(B)(ii)(b)	1,215,070
Other	187,565	215,366	—		402,931
Total non-current liabilities	<u>1,351,545</u>	<u>2,676,306</u>	<u>588,433</u>		<u>4,616,284</u>
Current liabilities:					
Bonds and loan	18	313,948	3,329,582	(D)	3,643,548
Trade and other payables	240,259	71,752	—		312,011
Provisions	132,781	234,402	—		367,183
Other	364,451	296,958	107,369	(B)	768,778
Total current liabilities	<u>737,509</u>	<u>917,060</u>	<u>3,436,951</u>		<u>5,091,520</u>
Total liabilities	<u>2,089,054</u>	<u>3,593,366</u>	<u>4,025,384</u>		<u>9,707,804</u>
EQUITY					
Share capital	77,914	9,255	1,587,748	(E)	1,674,917
Share premium	90,740	2,827,075	(1,260,066)	(E)	1,657,749
Treasury shares	(74,373)	(31,942)	31,942	(E)	(74,373)
Retained earnings	1,557,307	1,140,737	(1,165,807)	(E)	1,532,237
Other components of equity	345,836	155,198	(155,198)	(E)	345,836
Equity attributable to owners of the Company	1,997,424	4,100,323	(961,381)		5,136,366
Noncontrolling interests	19,985	—	—		19,985
Total equity	<u>2,017,409</u>	<u>4,100,323</u>	<u>(961,381)</u>		<u>5,156,351</u>
TOTAL LIABILITIES AND EQUITY	<u>4,106,463</u>	<u>7,693,689</u>	<u>3,064,003</u>		<u>14,864,155</u>

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2018
(millions of JPY except share and per share data)

	<u>Takeda</u>	<u>Shire (a)</u>	<u>Pro forma Adjustments</u>	<u>Note</u>	<u>Pro forma</u>
Revenue	1,770,531	1,703,475	—		3,474,006
Cost of sales	(495,921)	(529,114)	(1,368)	(F)	(1,026,403)
Selling, general, and administrative expense	(628,106)	(393,241)	(855)	(F)	(1,022,202)
Research and development expense	(325,441)	(184,046)	(234)	(F)	(509,721)
Amortization and impairment losses on intangible assets associated with products	(122,131)	(198,651)	(338,181)	(G)	(658,963)
Other operating income (expense), net	42,857	(99,072)	1,510	(I)	(54,705)
Operating profit	241,789	299,351	(339,128)		202,012
Finance income (expense), net	7,615	(65,799)	(91,270)	(H)	(149,454)
Share of profit (loss) of investments accounted for using the equity method	(32,199)	337	—		(31,862)
Profit before tax	217,205	233,889	(430,398)		20,696
Income tax (expense) / benefit	(30,497)	278,821	107,600	(J)	355,924
Net profit for the year, before discontinued operations	186,708	512,710	(322,798)		376,620
Gain / (loss) from discontinued operations	—	2,023	—		2,023
Net profit for the year	<u>186,708</u>	<u>514,733</u>	<u>(322,798)</u>		<u>378,643</u>
Attributable to:					
Owners of the Company	186,886				376,798
Non-controlling interest	(178)				(178)
Profit from continuing operations	<u>186,708</u>				<u>376,620</u>
Earnings per share (JPY):					
Basic	239.35				243.90
Diluted	237.56				242.97
Weighted average shares outstanding (in millions):					
Basic	780.8				1,544.9
Diluted	786.7				1,550.8

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Basis of Preparation

The unaudited pro forma condensed combined statement of financial position as of March 31, 2018 and the unaudited pro forma condensed combined statements of income for the year ended March 31, 2018, reflect adjustments that are: (i) directly attributable to the Transactions; (ii) factually supportable; and (iii) with respect to the pro forma condensed combined statement of income, expected to have a continuing impact on the combined results following the consummation of the Transactions.

The unaudited pro forma condensed combined statement of financial position has been prepared by combining Takeda's statement of financial position as of March 31, 2018, and Shire's balance sheet as of December 31, 2017 and applying the pro forma adjustments described below. The unaudited pro forma condensed combined statement of income has been prepared by combining Takeda's statement of income for the year ended March 31, 2018 and Shire's for the year ended December 31, 2017 and applying the pro forma adjustments described below. Management has elected to combine the historical financial information based on the respective fiscal year end of each company. The historical Shire balance sheet and income statement have not been updated for any significant events that may have occurred between December 31, 2017 and March 31, 2018. In addition, the historical financial information of Shire has been prepared based on U.S. GAAP, which has been converted to IFRS and Takeda's accounting policies. The pro forma condensed combined statement of financial position has been prepared assuming the Closing occurred on March 31, 2018, and the pro forma condensed combined statement of income has been prepared assuming the Closing occurred on April 1, 2017.

The pro forma adjustments for the Transactions are made on the basis that it is a business combination that is accounted for under the acquisition method of accounting in accordance with IFRS 3, Business Combinations. Accordingly, Takeda has estimated the fair value of Shire's assets acquired and liabilities assumed and conformed Shire's accounting policies to its own for material policy differences and based on available information.

The unaudited pro forma condensed combined financial statements have been prepared based upon currently available information and assumptions deemed appropriate by Takeda management and for informational purposes only and should be read in conjunction with Takeda's and Shire's financial statements. The preparation of these unaudited pro forma condensed combined financial statements requires management to make estimates and assumptions deemed appropriate. The unaudited pro forma condensed combined financial statements are not intended to represent, or be indicative of, the actual financial position and results of operations that would have occurred if the Transactions described below had been affected on the dates indicated, nor are they indicative of Takeda's future results.

Pro forma adjustments

- (A) The historical financial statements of Shire were prepared in accordance with U.S. GAAP and prepared in US dollars. The historical financial information of Shire presented in the pro forma condensed combined financial information has been conformed from Shire's historical financial information to IFRS and Takeda's accounting policies for material accounting policy differences based on information available at the time of preparation and converted to Japanese Yen. A reconciliation of the historical financial information of Shire to Shire's financial information based on IFRS and the foreign currency rates used to convert the historical financial statements to Japanese Yen are presented in Note K.

Based upon the available information, Takeda is not aware of any additional accounting policy differences that would have a material impact on the unaudited pro forma condensed combined financial information and that have not been reflected in the conversion shown in Note K. Takeda will review Shire's accounting policies subsequent to the Closing in more detail. As a result of that review, Takeda may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial information.

(B) Reflects the preliminary purchase price allocation among assets acquired and liabilities assumed as set forth below (in millions of JPY):

	<u>Amount</u>
Estimated purchase price:	
Cash	3,138,433
Takeda shares	<u>3,194,007</u>
Total (i)	<u><u>6,332,440</u></u>
Preliminary estimate of assets acquired and liabilities assumed (ii)	
Net assets of Shire at December 31, 2017	4,100,323
Less: Cash for estimated transaction expenses (note C)	(24,428)
Less: Historical goodwill	(2,238,458)
Less: Historical intangible assets	<u>(3,744,677)</u>
Adjusted net book value of liabilities assumed	(1,907,240)
Increase inventory to fair value	457,657
IPR&D at fair value	284,048
Other identifiable intangible assets at fair value	5,328,731
Increase property, plant, and equipment to fair value	37,949
Deferred tax impact of fair value adjustments (ii)(b)	(588,433)
Cash settled share-based award liability (iii)	<u>(107,369)</u>
Preliminary allocation to goodwill	<u><u>2,827,097</u></u>

(i) The aggregate preliminary purchase price is calculated as follows (in millions of JPY except per share data):

	<u>Amount</u>
Calculation of estimated cash consideration (a):	
Number of Shire shares to be purchased	910,746,641
Cash consideration per share (\$30.33 per share) in ¥ (a)	<u>3,446</u>
Estimated cash paid for shares and vested share-settled awards (b)	<u><u>3,138,433</u></u>
Calculation of estimated fair value of shares issued as consideration:	
Shire shares outstanding	910,746,641
Conversion ratio (as per agreement)	<u>0.839</u>
Estimated Takeda shares to be issued	764,116,432
Fair value per share based on Takeda share price	<u>4,180</u>
Estimated fair value of shares issued as consideration (c)	<u><u>3,194,007</u></u>

(a) Cash consideration per share was converted to JPY at US\$1.00 to ¥113.619 as of November 27, 2018.

(b) The number of shares to be purchased represents the outstanding shares of Shire at March 31, 2018, and the estimated number of vested share-settled awards to be treated as shares in the acquisition.

Cash consideration for shares was estimated based on 910,670,167 Shire shares outstanding, expected to be purchased as of March 31, 2018.

Cash consideration for vested Shire share settled awards was estimated based on 76,474 Shire share award units. This represents the share awards expected to be vested at the Closing and are expected to be settled the same as Shire's ordinary outstanding shares.

The total cash consideration will vary based on the USD to JPY exchange rate on the date of the Shire Acquisition. From May 8, 2018, the date on which Takeda's initial offer was made public, to November 27, 2018, the foreign currency exchange rate from USD to JPY ranged from ¥108.729 to ¥114.101 per US\$1.00, or a range of approximately 5%. A 5% weakening of the Japanese Yen to US dollar would increase the cash amount by ¥156,648 million, and a 5% strengthening of the Japanese yen to the US dollar would decrease the cash amount by ¥156,648 million.

- (c) The estimated fair value of shares issued was calculated based on the outstanding shares and share awards at March 31, 2018, multiplied by the exchange ratio of 0.839, and Takeda's closing share price as of November 27, 2018, of ¥4,180 per share.

The fair value of the consideration settled in shares is subject to change based on movements in Takeda's share price. From the date on which Takeda's initial offer was made public on May 8, 2018 to November 27, 2018, Takeda's closing share price has ranged from ¥4,180 to ¥4,899, or a range of approximately 17%. A 20% decrease in Takeda's share price would reduce the value of the shares issued by ¥638,801 million, and a 20% increase in Takeda's share price would increase the value of the shares to be issued by ¥638,801 million.

As noted above, the final consideration transferred is contingent upon the share price of Takeda shares on the Closing date and the foreign currency exchange rate on the date of acquisition. A difference in any of these factors from the amount assumed herein will result in a change in the purchase price and, as a consequence, a change in goodwill is recognized.

- (ii) The preliminary estimates are based on the data available to Takeda and may change upon completion of the final purchase price allocation. Any change in the estimated fair value of the assets and liabilities acquired will have a corresponding impact on the amount of the goodwill. In addition, a change in the amount of property, plant, and equipment and other identifiable intangible assets will have a direct impact on the amount of amortization and depreciation recorded against income in future periods. The impact of any changes in the purchase price allocation may have a material impact on the amounts presented in this pro forma condensed combined financial information and in future periods.

- (a) The pro forma adjustment for intangible assets is calculated as follows (in millions of JPY):

	<u>Amount</u>
Fair value of IPR&D	284,048
Fair value of other intangible assets	5,328,731
Less: Historical intangible assets	<u>(3,744,677)</u>
Pro forma adjustment	<u>1,868,102</u>

- (b) The estimated tax impact is based on assumed tax rate of 25%, which represents Takeda's 2017 estimated global blended statutory tax rate applicable to the fair value step-ups.

- (c) The acquired assets and liabilities assumed are reflected at their preliminarily estimated fair values with the excess consideration recorded as goodwill. The pro forma adjustment for goodwill is calculated as follows (in millions of JPY):

	<u>Amount</u>
Preliminary allocation to goodwill	2,827,097
Less: Historical goodwill	<u>(2,238,458)</u>
Pro forma adjustment	<u>588,639</u>

(iii) Reflects the fair value of Shire share-based awards that Shire intends to cash settle upon the change in control. The total cash consideration related to these awards is based on an assumed number of units of 15,442,104 at ¥6,953 (Takeda Offer Price) per share. The amount that will be ultimately payable will be based on the higher of (i) the Shire stock price during the 30 days prior to Closing and (ii) the Takeda Offer Price per share at Closing. The payment is expected to be made after the Closing. The final amount payable is contingent upon, Shire's stock price, the share price of Takeda shares on the Closing date and the foreign currency exchange rate on the date of acquisition. A difference in any of these factors from the amount assumed herein will change the cash-settle award liability and goodwill by the same amount.

(C) Reflects the impact on cash and cash equivalents of the Transactions calculated as follows (in millions of JPY):

	<u>Amount</u>
Net proceeds from borrowings (Note D)	3,358,300
Estimated Takeda transaction costs (Note E)	(55,958)
Estimated Shire transaction costs (i)	(24,428)
Debt issuance costs (Note D)	(28,718)
Cash consideration for the Shire Acquisition	<u>(3,138,433)</u>
Pro forma adjustment	<u>110,763</u>

(i) This represents estimated transaction costs expected to be paid by Shire at close, which will reduce cash acquired by Takeda.

(D) Reflects the borrowings to be entered into in connection with the Shire Acquisition (in millions of JPY):

	<u>Amount</u>
Term loan (i)	852,143
SSTL (ii)	500,000
JBIC Loan (iii)	420,390
Euro Notes (iv)	964,125
USD Notes (v)	624,905
Total (vi)	3,361,563
Less: Estimated debt issuance costs	28,718
Less: Discount on Euro and USD Notes	<u>3,263</u>
Pro forma adjustment	<u>3,329,582</u>

- (i) Term loan. This represents the term loan agreement entered into by Takeda on June 8, 2018.
- (ii) SSTL. This represents the short term facility agreement entered into on October 26, 2018, that has an aggregate commitment of ¥500.0 billion.
- (iii) JBIC Loan. On December 3, 2018, Takeda entered into a loan agreement with the Japan Bank for International Cooperation (the "JBIC Loan") for an aggregate principal amount of up to \$3.7 billion, and subsequently reduced the commitments under the Bridge Credit Agreement by the same amount.
- (iv) Euro Notes. On November 21, 2018 Takeda completed an offering of euro denominated senior notes in a number of series in aggregate principal amount of €7.5 billion.
- (v) USD Notes. On November 26, 2018, Takeda completed an offering of U.S. dollar denominated senior notes in a number of series for an aggregate amount of \$5.5 billion.
- (vi) The total proceeds have been based on the assumed foreign currency composition of USD, JPY and Euro and a foreign currency exchange rate of USD to JPY of ¥113.619 per US\$1.00 and EUR to JPY of ¥128.550.

In addition to the above, on May 8, 2018 (as amended on June 8, 2018 and October 26, 2018), Takeda entered into the Bridge Credit Agreement, with aggregate commitments of \$30.85 billion. The commitments under the Bridge financing were reduced by the amount of commitments under the Term loan, SSTL, Euro Notes, USD Notes and JBIC loan described below. Takeda does not expect to further refinance the commitments under the Bridge Credit Agreement prior to the completion of the Shire Acquisition, and does not currently intend to draw upon the Bridge Credit Agreement, although Takeda retains the ability to do so.

Takeda also entered into a Subordinated Loan Agreement (the “Subordinated Loan”), on October 26, 2018, with aggregate commitments of ¥500.0 billion. Takeda is not required to draw upon the Subordinated Loan. However, if Takeda chooses to draw on all or a part of the Subordinated Loan, the proceeds will be used to refinance all or a part of any indebtedness incurred pursuant to the SSTL described above.

(E) Represents the elimination of Shire’s historical equity and the impact of the Transactions on equity calculated as follows (in millions of JPY):

	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Other Components of Equity	Total
Eliminate Shire equity	(9,255)	(2,827,075)	31,942	(1,140,737)	(155,198)	(4,100,323)
Issuance of shares (i)	1,597,003	1,597,004	—	—	—	3,194,007
Transaction costs (ii)	—	(29,995)	—	(25,070)	—	(55,065)
Total pro forma adjustment	<u>1,587,748</u>	<u>(1,260,066)</u>	<u>31,942</u>	<u>(1,165,807)</u>	<u>(155,198)</u>	<u>(961,381)</u>

(i) Represents impact of the shares issued to finance a portion of the purchase price. This is based on an assumed share price at the date of acquisition of ¥4,180 and the issuance of 764,116,432 shares. As noted above, the number of shares and the value of the shares will be based on the share price at Closing and may differ from these amounts.

(ii) Represents the impact on retained earnings of the transaction costs to be paid by Takeda that will be recorded at the time of the acquisition, net of the associated tax benefit related to the tax deduction of these costs. These costs include ¥25,070 million that will be expensed in future periods and ¥29,995 million related to registration of equity that will be recorded directly to equity. The tax benefit is based on the estimated tax-deductible portion of transaction expenses and an assumed tax rate of 25%, which represents Takeda’s 2017 estimated blended global statutory tax rate, and is shown as a pro forma adjustment to deferred tax asset. These transaction costs are excluded from the pro forma condensed combined statement of income, as they are non-recurring in nature.

(F) Represents the incremental depreciation expense based on the preliminary fair value of property, plant, and equipment and an estimated remaining useful life of 15 years calculated as follows (in millions of JPY):

Asset category	Fair value adjustment	Estimated useful life	Pro forma adjustment
Land	1,091	Indefinite	n/a
Buildings and structures	8,710	15 years	581
Machinery and vehicles	<u>28,147</u>	15 years	<u>1,876</u>
Total	<u>37,948</u>		<u>2,457</u>

If the weighted-average estimated useful life of depreciable assets were to increase by one year, pro forma depreciation expense would decrease by ¥3,137 million or increase by ¥3,586 million if the weighted-average estimated useful lives were to decrease by one year. If the estimated fair value of estimated depreciable assets were to change by 10%, pro forma annual depreciation expense would increase or decrease by ¥5,020 million.

(G) Reflects the incremental amortization expense resulting from the recognition of other identifiable intangible assets. The pro forma adjustment is based on recognition of amortizable intangible assets of

¥5,612,779 million (Note B) and estimated weighted-average life of 5-18 years. If the fair value was to change by 10%, it would result in a ¥53,688 million impact on amortization expense. If the estimated useful life of amortizable intangible assets were to increase by one year, pro forma annual amortization expense would decrease by ¥59,228 million and would increase by ¥80,947 million if the estimated useful lives were to decrease by one year.

(H) Reflects the incremental interest expense related to the financing of the acquisition described in Note (D) calculated as follows (in millions JPY):

	Amount	Term	Weighted average Interest Rate	Pro forma interest expense
Term loan (i)	852,143	5 years	2.38%	20,266
SSTL (ii)	500,000	0.5 year	0.23%	566
JBIC loan (iii)	420,390	7 years	3.47%	7,294
Euro Notes (iv)	964,125	2-12 years	1.45%	13,953
USD Notes (iv)	624,905	2-10 years	4.39%	27,440
Estimated debt issuance costs (v)	(28,718)			21,207
Discount on Euro and USD Notes (vi)	(3,263)			544
Pro forma adjustment (vii)	<u>3,329,582</u>			<u>91,270</u>

- (i) The interest is based on the Term loan financing of which 53.3% is denominated in USD and 46.7% is denominated in Euro. The interest under the agreement is based on LIBOR or EURIBOR plus a margin.
- (ii) The SSTL is denominated in JPY and the interest under the agreement is based on TIBOR plus a margin.
- (iii) The JBIC loan is denominated in USD and the interest under the agreement is based on LIBOR plus a margin.
- (iv) The interest is estimated based on the rates associated with the Euro Notes and USD Notes issued by the Company as described above. The Euro Notes are comprised of fixed and variable rate borrowings. The Euro Notes are comprised of 23% variable rate borrowings and 77% fixed rate borrowings, which resulted in a weighted average interest rate of 1.45%. The USD Notes are comprised of fixed rate borrowings, which resulted in a weighted average interest rate of 4.39%.
- (v) The debt issuance costs are amortized over the life of the associated borrowings and the amortization expense is included in interest expense. We have assumed a weighted average term of 2.69 years.
- (vi) The discounts on Euro and USD Notes are amortized over the life of the associated borrowings and the amortization expense is included in interest expense.
- (vii) The actual terms and conditions of the Financing, including the amount of debt we actually incur, the currency of the borrowings, the interest rate, and the form of the borrowings (as noted in Note D), have not been finally determined and are subject to change.

(I) Reflects the elimination of non-recurring transaction costs incurred during the year ended March 31, 2018 that are directly related to the Shire Acquisition and are reflected in Takeda's historical statement of income.

(J) Reflects the tax impact of the pro forma adjustments based on assumed rate of 25%, which represents Takeda's 2017 estimated global blended statutory tax rate.

(K) The following is a reconciliation of Shire's historical financial information from U.S. GAAP to IFRS and Takeda's accounting policies (amounts in millions of JPY unless otherwise noted):

**UNAUDITED SHIRE CONDENSED BALANCE SHEET IFRS CONVERSION
AS OF DECEMBER 31, 2017**

	<u>Historical Shire (USD)(i)</u>	<u>Historical Shire (JPY)(ii)</u>	<u>IFRS conversion adjustments(iii)</u>	<u>Note</u>	<u>Classification adjustments(iii)</u>	<u>Note</u>	<u>Historical Shire IFRS conversion (JPY)</u>
ASSETS							
Noncurrent assets:							
Property, plant, and equipment . . .	6,636	749,012	—		—		749,012
Goodwill	19,832	2,238,458	—		—		2,238,458
Intangible assets	33,046	3,729,935	14,742	a.	—		3,744,677
Deferred tax assets	189	21,333	22,055	b.	—		35,611
			(7,777)	c.			
Other	446	50,340	—		—		50,340
Total noncurrent assets	<u>60,149</u>	<u>6,789,078</u>	<u>29,020</u>		<u>—</u>		<u>6,818,098</u>
Current assets:							
Inventories	3,292	371,571	—		—		371,571
Trade and other receivables	3,010	339,742	—		27,411	f.	394,864
			—		27,711	k.	
Cash and cash equivalents	511	57,677	—		—		57,677
Other current assets	795	89,732	(10,542)	b.	(27,711)	k.	51,479
Total current assets	<u>7,608</u>	<u>858,722</u>	<u>(10,542)</u>		<u>27,411</u>		<u>875,591</u>
Total assets	<u><u>67,757</u></u>	<u><u>7,647,800</u></u>	<u><u>18,478</u></u>		<u><u>27,411</u></u>		<u><u>7,693,689</u></u>

**UNAUDITED SHIRE CONDENSED BALANCE SHEET IFRS CONVERSION
AS OF DECEMBER 31, 2017 (continued)**

	<u>Historical Shire (USD)(i)</u>	<u>Historical Shire (JPY)(ii)</u>	<u>IFRS conversion adjustments(iii)</u>	<u>Note</u>	<u>Classification adjustments(iii)</u>	<u>Note</u>	<u>Historical Shire IFRS conversion (JPY)</u>
LIABILITIES							
Noncurrent liabilities:							
Bonds and loans	16,752	1,890,815	—		(38,565)	k.	1,858,972
					6,722	k.	
Net defined benefit liabilities	—	—	—		66,056		66,056
Deferred tax liabilities	4,748	535,912	—		—		535,912
Other	2,198	248,090	1,489	d.	38,565	k.	215,366
					(6,722)	k.	
					(66,056)	k.	
Total noncurrent liabilities	<u>23,698</u>	<u>2,674,817</u>	<u>1,489</u>		<u>—</u>		<u>2,676,306</u>
Current liabilities:							
Bonds and loan	2,789	314,797	—		(849)	k.	313,948
Trade and other payables	4,184	472,252	—		(193,509)	k.	71,752
					(206,991)	g.	
Provisions	—	—	—		27,411	f.	234,402
					206,991	g.	
Other	909	102,600	—		193,509	k.	296,958
					849	k.	
Total current liabilities	<u>7,882</u>	<u>889,649</u>	<u>—</u>		<u>27,411</u>		<u>917,060</u>
Total liabilities	<u>31,580</u>	<u>3,564,466</u>	<u>1,489</u>		<u>27,411</u>		<u>3,593,366</u>
EQUITY							
Share capital	82	9,255	—		—		9,255
Share premium	25,082	2,831,030	3,822	e.	—		2,827,075
			(7,777)	c.			
Treasury shares	(283)	(31,942)	—		—		(31,942)
Retained earnings	9,921	1,119,793	(3,822)	e.	—		1,140,737
			14,742	a.	—		
			(1,489)	d.	—		
			11,513	b.	—		
Other components of equity	1,375	155,198	—		—		155,198
Equity attributable to owners of the Company	<u>36,177</u>	<u>4,083,334</u>	<u>16,989</u>		<u>—</u>		<u>4,100,323</u>
Noncontrolling interests	<u>—</u>	<u>—</u>	<u>—</u>		<u>—</u>		<u>—</u>
Total equity	<u>36,177</u>	<u>4,083,334</u>	<u>16,989</u>		<u>—</u>		<u>4,100,323</u>
TOTAL LIABILITIES AND EQUITY							
	<u><u>67,757</u></u>	<u><u>7,647,800</u></u>	<u><u>18,478</u></u>		<u><u>27,411</u></u>		<u><u>7,693,689</u></u>

**UNAUDITED SHIRE CONDENSED STATEMENT OF INCOME IFRS CONVERSION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Historical Shire (USD)(i)	Historical Shire (JPY)(ii)	IFRS conversion adjustments(iii)	Note	Classification adjustments(iii)	Note	Historical Shire IFRS conversion (JPY)
Revenue	15,161	1,703,475	—		—		1,703,475
Cost of sales	(4,701)	(528,200)	(778)	e.	(136)	h.	(529,114)
Selling, general, and administrative expense	(3,531)	(396,740)	(2,124)	e.	136	h.	(393,241)
			(197)	d.	5,684	i.	
Research and development expense	(1,763)	(198,089)	(597)	e.	(102)	j.	(184,046)
			14,742	a.	—		
Amortization and impairment losses on intangible assets associated with products	(1,768)	(198,651)	—		—		(198,651)
Other operating income (expense), net (iv)	(943)	(105,954)	(323)	e.	(5,684)	i.	(99,072)
			11,528	l.	1,361	k.	—
Operating profit	2,455	275,841	22,251		1,259		299,351
Finance income (expense), net (v)	(562)	(63,146)	(1,292)	d.	(1,361)	k.	(65,799)
Share of profit (loss) of investments accounted for using the equity method	3	337	—		—		337
Profit before tax	1,896	213,032	20,959		(102)		233,889
Income tax (expense) / benefit ...	2,358	264,943	14,124	b.	102	j.	278,821
			(348)	c.			
Net profit for the year, before discontinued operations	4,254	477,975	34,735		—		512,710
Gain / (loss) from discontinued operations	18	2,023	—		—		2,023
Net profit for the year	4,272	479,998	34,735		—		514,733

- (i) Represents the historical balance of Shire at December 31, 2017, and the income statement for the year ended December 31, 2017.
- (ii) The historical USD balance sheet and income statement of Shire are converted to JPY based on a USD to JPY exchange rate of ¥112.871 per \$1.00 for the balance sheet and ¥112.359 per US\$1.00 for the income statement. For the balance sheet, the spot rate at December 31, 2017 of ¥112.871 per US\$1.00 was used. For the income statement, the average rate for the prior twelve months of ¥112.354 per US\$1.00 was used.
- (iii) A summary of the differences between U.S. GAAP and Takeda's accounting policies is as follows:
- a. Reflect adjustment to eliminate expense recorded by Shire for collaboration payments related to products that are not yet commercialized and to recognize IPR&D based on Takeda's accounting policy.
 - b. Reflect adjustments to record a deferred tax asset and reclassify prepaid taxes to tax expense on intercompany inventory transfers under IFRS reporting requirements and to record the cumulative effect on retained earnings.
 - c. Reflect adjustments to record the deferred tax asset and tax expense for stock-based compensation under IFRS reporting requirements.
 - d. Reflects adjustments to net periodic benefit costs and net defined benefit obligation due to the measurement differences between U.S. GAAP and Takeda accounting policies. These measurement differences relate to the removal of expected return on plan assets and inclusion of interest income on plan assets.

- e. Reflect stock compensation expense based on graded vesting under IFRS. Under U.S GAAP Shire elected to record the expense on a straight-line basis.
 - f. Reclassify Shire's chargeback and sales discounts reserve from trade and other receivables to provisions.
 - g. Reclassify accrued rebates, accrued managed care, accrued Medicare and Medicaid reserves, accrued sales returns, litigation reserves, and other accruals from trade and other payables to current provisions.
 - h. Reclassify freight insurance expenses from selling, general, and administrative expenses to cost of sales.
 - i. Reclassify charitable donations from selling, general, and administrative expense to other operating expenses.
 - j. Reclassify research and development investment tax credits from research and development to income tax expenses.
 - k. Reclassify assets and liabilities to align the Shire classification to the Takeda classification.
 - l. Reflect adjustment to decrease restructuring expenses in 2017 as this expense would have been recorded in an earlier period under IFRS. There is no corresponding adjustment to the balance sheet as the cumulative retained earnings impact does not change.
- (iv) Other operating expenses includes integration and acquisition costs, reorganization costs, and gain on sale of product rights.
- (v) Finance income / (expense), net includes interest income, interest expense, and other income/ (expense), net.

Exhibit 1.1

[The following is the translation of the Articles of Incorporation of Takeda Pharmaceutical Company Limited, the latest amendment to which was made on 29 June 2016.]

ARTICLES OF INCORPORATION OF TAKEDA PHARMACEUTICAL COMPANY LIMITED

Chapter I General Provisions

Article 1. (Corporate Name)

The Company shall be named Takeda Yakuhin Kogyo Kabushiki Kaisha, displayed in English as Takeda Pharmaceutical Company Limited.

Article 2. (Location of Head Office)

The head office of the Company shall be located in the city of Osaka.

Article 3. (Purpose of the Company)

The purpose of the Company shall be to engage in the following businesses:

1. Manufacture, purchase and sale of medicines, chemicals for non-medicinal uses, quasi-medicines, medical instruments, appliances and supplies, measuring equipments, cosmetics, food products, beverages, food additives, livestock feed additives and other chemical products, and instruments, appliances and equipment relating to any of the foregoing products;
2. Trucking and freight forwarding;
3. Warehousing;
4. Publishing;
5. Management, purchase, sale and lease of real estate; and
6. Business ancillary or related to any of those specified in each foregoing clause.

Article 4. (Organizations)

In addition to the general meetings of shareholders and Directors, the Company shall have the following organizations:

1. Board of Directors
2. Audit and Supervisory Committee
3. Accounting Auditors

Article 5. (Method of Public Notices)

The method of Public notices of the Company shall be electronic public notices; provided, however, that in case where an electronic public notice is impracticable due to accidents or other unavoidable reasons, the Company shall give its public notices in the Nihon Keizai Shimbun.

Chapter II Shares

Article 6. (Total Number of Shares Authorized to be Issued)

The total number of shares authorized to be issued by the Company shall be three billion and five hundred million (3,500,000,000) shares.

Article 7. (Number of Shares in One Unit)

The number of shares in one unit of the Company shall be one hundred (100) shares.

Article 8. (Additional Purchases of Shares Less Than One Unit)

A shareholder holding the Company's shares less than one unit may, in accordance with the provisions of the Company Shares, etc. Handling Rule, request the Company to sell to the shareholder such number of shares that will, when added to the shares less than one unit held by such shareholder, constitute one unit of shares.

Article 9. (Transfer Agent)

The Company shall have a transfer agent. The transfer agent and its place of handling business shall be decided by a resolution of the Board of Directors and the Company shall give a public notice on them.

- (2) The register of shareholders and the register of stock acquisition rights of the Company shall be kept at the transfer agent's place of handling business; entry in writing or digitally in the register of shareholders and the register of stock acquisition rights, purchase and sale of shares less than one unit, and other businesses with regard to shares and stock acquisition rights shall be handled by the transfer agent, and will not be handled by the Company.

Article 10. (Company Shares, etc. Handling Rule)

Entry in writing or digitally in the register of shareholders and the register of stock acquisition rights, purchase and sale of shares less than one unit, and other matters related to the handling of shares and stock acquisition rights, and fees to be charged for handling these matters and the procedures for the exercise of rights of shareholders, shall be governed by Company Shares, etc. Handling Rule established by the Board of Directors.

Chapter III General Meeting of Shareholders

Article 11. (Time for Holding the Meeting)

The ordinary general meeting of shareholders of the Company shall be convened in June of each year.

- (2) In addition to the preceding paragraph, an extraordinary general meeting of shareholders may be convened when necessary.

Article 12. (Record Date for Ordinary General Meetings of Shareholders)

The record date for voting rights for the ordinary general meetings of shareholders of the Company shall be March 31 of each year.

Article 13. (Convener and Chairman)

A general meeting of shareholders shall be convened by the Representative Director in accordance with a resolution of the Board of Directors.

- (2) The Chairman of a general meeting of shareholders shall be the Chairman of the Board.

- (3) If the office of the Chairman of the Board is vacant, or, should an accident prevent the Chairman of the Board from being the Chairman of a general meeting of shareholders, another Director nominated by the Board of Directors shall serve as the Chairman of the general meeting of shareholders.

Article 14. (Disclosure through Internet and Deemed Delivery of Reference Documents, Etc. for General Meeting of Shareholders)

In convening a general meeting of shareholders, the Company may be deemed to have provided the shareholders with necessary information that should be described or indicated in the reference documents for the general meeting of shareholders, business reports, unconsolidated financial statements and consolidated financial statements, on the condition that such information is disclosed through the Internet in accordance with Ordinances of the Ministry of Justice.

Article 15. (Requisites for a Resolution)

Unless otherwise provided by law or by these Articles of Incorporation, a resolution at a general meeting of shareholders shall be made by a majority of the votes of the shareholders present at the meeting and entitled to exercise their voting rights.

- (2) The resolution provided for in Paragraph 2, Article 309 of the Companies Act shall be adopted by two-thirds or more of the votes of the shareholders present at the meeting and entitled to exercise their voting rights at which a quorum shall be one-thirds or more of the voting rights of the shareholders entitled to exercise their voting rights.

Article 16. (Voting by Proxy)

A shareholder may exercise his or her vote by appointing another shareholder entitled to vote as his or her proxy, provided, however, that such shareholder or proxy shall submit a document evidencing an authority of representation to the Company for each meeting.

Chapter IV Directors and Board of Directors, and Audit and Supervisory Committee

Article 17. (Number of Directors)

The Company shall have twelve (12) or fewer Directors (excluding Directors who are Audit and Supervisory Committee Members).

- (2) The Company shall have four (4) or fewer Directors who are Audit and Supervisory Committee Members.

Article 18. (Appointment of Directors)

The Directors shall be appointed at a general meeting of shareholders that distinguishes between Directors who are Audit and Supervisory Committee Members and other Directors.

- (2) Voting on resolutions for appointments under the terms of the preceding paragraph shall take place with the presence of shareholders who have one-third or more of the voting rights of shareholders entitled to exercise their voting rights, and a majority of the votes of the shareholders present shall be requisite for adoption of the resolution.
- (3) The appointment of Directors shall not be made by cumulative voting.

Article 19. (Term of Office of Directors)

The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be up to the time of closing of the ordinary general meeting of shareholders concerning the last business year ending within one (1) year after their election.

- (2) The term of office of Directors who are Audit and Supervisory Committee Members shall be up to the time of closing of the ordinary general meeting of shareholders concerning the last business year ending within two (2) years after their election.
- (3) The term of office of a Director who is an Audit and Supervisory Committee Member and was appointed to fill a vacancy due to the retirement of a Director who is an Audit and Supervisory Committee Member from office before expiration of his or her term of office shall be up to the time of expiration of the term of office of such retiring Director.
- (4) The effect of pre-election of a substitute Director who is an Audit and Supervisory Committee Member shall continue until the opening of the ordinary general meeting of shareholders concerning the last business year ending within two (2) years after the resolution of such pre-election.

Article 20. (Compensation, Etc. for Directors)

The compensation, bonuses, and other financial benefits given by the Company in consideration of the performance of duties for Directors shall be determined by a resolution at the general meeting of shareholders that distinguishes between Directors who are Audit and Supervisory Members and other Directors.

Article 21. (Notice of Meetings of the Board of Directors)

Notice of a meeting of the Board of Directors shall be given at least three (3) days prior to the date set for the meeting; provided, however, that such period may be shortened in the case of an emergency.

- (2) A meeting of the Board of Directors may be held without taking the convocation procedures with the unanimous consent of all Directors.

Article 22. (Notice of Meetings of the Audit and Supervisory Committee)

Notice of a meeting of the Audit and Supervisory Committee shall be given at least three (3) days prior to the date set for the meeting; provided, however, that such period may be shortened in the case of an emergency.

- (2) A meeting of the Audit and Supervisory Committee may be held without taking the convocation procedures with the unanimous consent of all Audit and Supervisory Committee Members.

Article 23. (Deemed Resolution of the Board of Directors)

The Company shall deem that a resolution of the Board of Directors is adopted when the requirements set forth in Article 370 of the Companies Act are satisfied.

Article 24. (Delegation of a Decision on the Execution of Important Operations)

Under Paragraph 6, Article 399-13 of the Companies Act, the Company may delegate all or some of the decisions concerning the execution of important operations (excluding matters listed in the items under Paragraph 5 of that article) to Directors by a resolution of the Board of Directors.

Article 25. (Chairman of the Board and President & CEO)

The Board of Directors may, by its resolution, appoint from among Directors (excluding Directors who are Audit and Supervisory Committee Members) one (1) Chairman of the Board and one (1) President & CEO.

- (2) The Chairman of the Board shall preside over a meeting of the Board of Directors; however, another Director shall preside over a meeting of the Board of Directors if the office of the Chairman of the Board is vacant or if an accident prevents the Chairman of the Board from doing so.
- (3) The President & CEO shall exercise control over the affairs of the Company.

Article 26. (Representative Directors)

The Board of Directors shall, by its resolution, elect Representative Director(s) from among Directors (excluding Directors who are Audit and Supervisory Committee Members).

Article 27. (Exemption from Liability of Directors)

The Company may, by a resolution of the Board of Directors, exempt Directors from their liabilities for damages set forth in Paragraph 1, Article 423 of the Companies Act to the extent permitted by law.

- (2) The Company may enter into agreements with Directors (excluding Executive Directors or the like provided for in (a), Item 15, Article 2 of the Companies Act) that limit the maximum amount of liability for damages set forth in Paragraph 1, Article 423 of the Companies Act to the amount provided by law.

Chapter V Accounts

Article 28. (Business Year)

The business year of the Company shall be from April 1 of each year to March 31 of the following year.

Article 29. (Organ to decide on Matters including Dividends from Surplus)

The Company may decide the matters listed in each item of Paragraph 1, Article 459 of the Companies Act including dividends from surplus by resolution of the Board of Directors, unless otherwise provided for in laws and regulations.

Article 30. (Record Date for Dividends from Surplus)

The record date for year-end dividends of the Company shall be March 31 of each year.

- (2) The record date for interim dividends of the Company shall be September 30 of each year.

Article 31. (Lapse of the Rights on Dividends)

If any year-end dividends or interim dividends are not received after a lapse of three (3) full years from the date of commencement of the payment thereof, the Company shall thereafter be exempted from its obligation to pay thereof.

Supplementary Provisions

Article 1. (Transitional Measure concerning Exemption from and Limitation of Liability of Corporate Auditors before becoming a Company with Audit and Supervisory Committee)

Exemption from liabilities for damages of Corporate Auditors (including a person who was formerly a Corporate Auditor) by the Board of Directors concerning acts under Paragraph 1, Article 423 of the Companies Act before the closing of the 140th ordinary general meeting of shareholders held in June 2016, and contracts for limitation of liability concluded with Outside Corporate Auditors (including a person who was formerly an Outside Corporate Auditor) shall be governed by Paragraphs 1 and 2, Article 34 of the Articles of Incorporation before the amendment associated with the closing of the same ordinary general meeting of shareholders.

Article 2. (Deletion Date of Supplementary Provisions)

Articles 1 and 2 of the Supplementary Provisions hereof are to be deleted as of June 29, 2026.

Bylaws of Board of Directors

Rule No. 1

Article 1: (Purpose)

The Board of Directors of Takeda Pharmaceutical Company Limited (the “Company”) shall comply with the bylaws unless otherwise prescribed by the applicable laws and ordinances, or the Articles of Incorporation.

Article 2: (Meetings)

Meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors.

- (2) In the event the office of the Chairman of the Board of Directors is vacant or he/she cannot take an action due to some impedance, another director shall serve in an order of precedence which is determined in advance by the Board of Directors.
- (3) Convocation notice of a meeting shall be dispatched to each director at least three (3) days prior to the scheduled date of the meeting. Notwithstanding, this period may be shortened in cases of emergency.
- (4) Convocation procedures may be omitted in the convocation of a meeting of the Board of Directors when the unanimous consent of all directors is obtained.
- (5) To request convocation of a meeting of the Board of Directors, a director shall submit to the Chairman of the Board of Directors a document in writing setting forth the matters that are the object of the meeting.
- (6) Notwithstanding the provisions of Paragraph 1, 2 and 5 of this Article, the Audit and Supervisory Committee Member selected by the Audit and Supervisory Committee may convene the meetings of the Board of Directors, subject to the manner stipulated in Paragraph 3 of this Article.

Article 3: (Chair)

The Chairman of the Board of Directors shall serve as the Chair for meetings of the Board of Directors.

- (2) In the event the office of the Chairman of the Board of Directors is vacant or he/she cannot take an action due to some impedance, Paragraph 2 of Article 2 shall apply *mutatis mutandis*.

Article 4: (Time and place of meeting)

Meetings of the Board of Directors shall be held at least once every 3 months and at least 6 times a year, and shall be held on an as-needed basis.

- (2) Meetings of the Board of Directors shall in principle be held at the Osaka head office or the Tokyo head office. However, meetings may be held at any other place when necessary.

Article 5: (Meeting via video conferencing and telephone conferencing)

Meetings of the Board of Directors may be conducted by making use of video conferencing systems and/or telephone conferencing systems.

Article 6: (Matters to be resolved by the Board of Directors)

The matters listed as “Board Resolution Matters” in the Attachment 1 “List of the Board Resolution Matters, Board Reporting Matters, and procedures and other rules to submit them to the Board of the Directors’ meeting” shall be resolved by the Board of Directors.

Article 7: (Resolution procedures)

Resolutions of the Board of Directors shall require a majority vote of the attending directors at a meeting under the presence of the majority of the directors.

- (2) Directors with special interests in matters to be resolved as provided for in Paragraph 1 of Article 7 are prohibited from participating in resolutions. In such circumstances, the number of directors provided for in Paragraph 1 of Article 7 shall not include the number of the said interested directors.

Article 8: (Resolution in writing)

Notwithstanding the provisions of Article 7, the Board of Directors shall be deemed to have taken a resolution regarding a matter to be resolved by the Board of Directors when all directors express consent in written or electronic form.

Article 9: (Reporting on the execution of duties)

Executive Directors shall report to the Board of Directors regarding the status of the execution of their duties. The matters listed as “Board Reporting Matters” in the Attachment 1 “List of the Board Resolution Matters, Board Reporting Matters, and procedures and other rules to submit them to the Board of the Directors’ meeting” shall be reported to the Board of Directors.

- (2) Executive Directors may cause other directors or employees to furnish reports pursuant to the preceding paragraph.
- (3) Directors engaging in any of the transactions stipulated in each item of Paragraph 1, Article 356 of the Companies Act shall report material facts with respect to said transaction to the Board of Directors without delay.

Article 10: (Written reports)

Reporting to the Board of Directors shall not be required in the event that a director or accounting auditor notifies all directors in writing of matters to be reported to the Board of Directors.

- (2) The provisions of Paragraph 1 of Article 10 shall not apply to reports on the status of execution of duties by directors pursuant to Paragraph 2, Article 363 of the Companies Act.

Article 11: (Attendance of advisors, counselors and employees)

The Chair may, when necessary, request the attendance of consultants and/or advisors and seek their opinions.

- (2) The Chair may, when necessary, cause employees to attend as observers.

Article 12: (Minutes of the Board of Directors’ meeting)

The minutes of the Board of Directors’ meeting shall be prepared outlining the course of discussions, results and other necessary matters with respect to the agenda. The directors present shall put their seals on their typewritten name. The said minutes shall be kept at the Osaka head office for a period of 10 years.

- (2) In the event that a resolution is deemed to have been taken by the Board of Directors pursuant to Article 8, and in the event that actual reporting at the Board of Directors’ meeting is not required as written report has been delivered pursuant to Article 10, minutes shall be prepared noting the nature of said matters or other necessary matters and shall be kept at the headquarters for a period of 10 years.

Article 13: (Secretariat for the Board of Directors)

Japan Legal shall serve as the Secretariat for the Board of Directors and shall arrange and coordinate agenda for the meeting and the matters to be resolved by and to be reported to the Board of Directors, dispatch the convocation notice, prepare the draft minutes of the Board Directors' meeting and keep the minutes and provide other secretarial services.

- (2) Details with respect to Paragraph 1 of Article 13 shall be prescribed in the Attachment 2.

Article 14: (Amendment)

The text of these bylaws and the columns of "Board Resolution Matters" and "Board Reporting Matters" in the Attachment 1 may be amended by resolution of the Board of Directors. The other columns in the Attachment 1, and the Attachment 2 may be amended by the decision of Global General Counsel ("GGC").

- (2) In the case referred to in the second sentence of the preceding paragraph, the amendment may be reported with documents to the Board of Directors when deemed necessary by GGC.

Resolution at Board of
Directors

Enacted 1951.11.30

Implemented 1951.11.30

Name of Company Regulation	Rule No. 1	Bylaws of Board of Directors	
Amendment date	Effective date	Amendment date	Effective date
1969.5.11	1969.5.11		
1975.5.28	1975.5.28		
1977.1.27	1977.1.27		
1982.9.29	1982.10.1		
1986.11.1	1986.11.1		
1995.4.1	1995.4.1		
1996.10.1	1996.10.1		
1997.7.1	1997.7.1		
1998.7.1	1998.6.26		
2001.12.26	2001.10.1		
2002.8.27	2002.9.1		
2004.4.1	2004.4.1		
2005.3.30	2005.3.30		
2005.4.27	2005.4.27		
2007.5.18	2007.6.1		
2009.8.1	2009.8.1		
2009.10.30	2009.11.1		
2015. 4. 1	2015. 4. 1		
2016. 4. 1	2016. 4. 1		
2016.6.29	2016.6.29		
2017.11.1	2017.6.28		

List of the Board Resolution Matters, Board Reporting Matters, and procedures and other rules to submit them to the Board of the Directors’ meeting
[Note] In this manual, the “Board Resolution Matters” means the matters to be decided by the resolution of the Board of Directors, and the “Board Reporting Matters” means matters to be reported to the Board of Directors

<u>Board Resolution Matters</u>	<u>Notes</u>
<ol style="list-style-type: none"> 1. Important management policies and business plans (Article 399-13:1:1: a of the Companies Act) <ol style="list-style-type: none"> (1) Establishment of and amendment to “Corporate Philosophy of Takeda” for the Takeda Group <ol style="list-style-type: none"> a. Takeda-ism b. Mission and Vision c. Values (2) Matters with regard to lines of authority and responsibility and corporate governance in the Takeda Group (3) Medium and long-term strategies of all companies <ol style="list-style-type: none"> a. Corporate strategy b. Therapeutic Area (“TA”) strategy (4) Companywide plans <ol style="list-style-type: none"> a. Medium and long-term plans b. Annual plans 	<p>2017.6.28</p> <ol style="list-style-type: none"> 1. The modification of T-MAP shall be submitted to the Board for its resolution pursuant to this Item 1(2) (excluding minor matters stipulated in T-MAP). 1. TA strategy includes reviews and change of the core TA franchise and entry into new businesses. <p>Companywide plans include the plan for profit/loss, asset, funding and human</p>

Directors or heads of relevant divisions identified based on the roles & responsibilities or the operating structure articulated in Takeda Group’s Management Policy (T-MAP) shall be the proponents for each proposal or report.

Each TET (TET means the member of Takeda Executive Team. The same applies hereinafter.) may have his/her subordinate department heads propose/report the Board resolution/reporting matters of the organizations supervised by him/her, when he/she judged as necessary or appropriate.

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
2. Basic policy for internal control systems in the Takeda Group	(Omitted)	1. Amendment to basic policy regarding the structure of internal control systems shall be submitted to the Board for its resolution.
(Article 399-13:1:b/c of the Companies Act, Article 110-4:1 and 2 of the Ordinance for Enforcement of the Companies Act)		2. Internal control systems include the following. Their creation, modification, or elimination and progress shall be resolved by or reported to the Board as warranted by the degree of importance and necessity. <ol style="list-style-type: none"> <li data-bbox="584 1417 690 1726">(1) Systems necessary for ensuring the appropriateness of the operations of the company and of the Takeda Group <ol style="list-style-type: none"> <li data-bbox="698 1417 828 1726">① Systems regarding the retention and management of information related to the execution of duties by the company's directors <li data-bbox="836 1417 941 1726">② Systems of reporting to the company of matters related to the execution of duties by a subsidiary's directors, etc. <li data-bbox="950 1417 1055 1726">③ Rules and other systems regarding the management of risk of loss in the Takeda Group <li data-bbox="1063 1417 1161 1726">④ Systems to ensure effective execution of duties by directors, etc. in the Takeda Group <li data-bbox="1169 1417 1334 1726">⑤ Systems to ensure that directors, etc. and employees in the Takeda Group comply with the laws and regulations, and the company's Articles of Incorporation in executing their duties

- (2) Matters necessary for the execution of duties by Audit and Supervisory Committee
- ① Matters regarding directors and employees who should support the duties of Audit and Supervisory Committee
 - ② Matters related to independence of directors and employees in the above ① from other directors (excluding directors who are also Audit and Supervisory Committee Members)
 - ③ Matters to ensure effectiveness of the directions to directors and employees in the above ① from Audit and Supervisory Committee
 - ④ Systems regarding the reporting to Audit and Supervisory Committee
 - ⑤ Systems to ensure that those who report pursuant to the above ④ shall not be at a disadvantage by the reason of performing said reporting
 - ⑥ Matters related to the processing of expenses or debt which accompany the execution of duties by Audit and Supervisory Committee Members, including the procedures of advance payment or repayment which accompany the said execution of duties
 - ⑦ Other systems to ensure effective implementation of audit by Audit and Supervisory Committee

Board Resolution Matters

Items and matters to be submitted to the Board for its resolution

Notes

3. With regard to the above 2. (1), formulation, abolishment and material modification of important Global Policies etc. which relates to this Item 2 (Global Policies mean those applied to employees of three or more TET organizations), e.g. “Takeda Global Code of Conduct,” “Global Risk Management Policy,” and “Group Internal Audit Charter” shall be submitted to the Board for its resolution (material modification refers to a modification which substantially alters the systems listed in the above 2. (1), and excludes minor modifications such as updates, etc. which do not entail substantial changes).
4. Formulation and modification (excluding minor ones) of “Rules of Audit and Supervisory Committee’s Audit, etc.” which stipulates the matters falling under the above 2. (2) shall be submitted to the Board for its resolution.
1. Global General Counsel (“GGC”) shall determine materiality.
3. Course and Policy for the important legal disputes including the litigation of the company and subsidiaries

Items and matters to be submitted to the Board for its resolution

Board Resolution Matters

Notes

4. Important matters with respect to organizations, and internal regulations and rules, etc.

(1) Important organizational changes

- a. New establishment, modification and elimination of the organizations led by the officers at the first layer from the perspective of President & Chief Executive Officer (“President & CEO”), and Group Internal Audit

- b. New establishment, modification and abolishment of Business Review Committee (“BRC”), Portfolio Review Committee (“PRC”), Audit, Risk and Compliance Committee (“ARCC”), management advisory boards or other similar institution, organizations

1. “Modification and elimination” refer to elimination and material modification similar in nature to new establishment or elimination. Organizational changes also involve modifications to T-MAP and are to be submitted as a single package.

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
(2) Formulation, modification and abolishment of following internal regulations and rules	<ol style="list-style-type: none"> a. Bylaws of Board of Directors (excluding a part of Attachments) b. Company Shares, etc. Handling Rule c. Internal Audit Rule d. Bylaws of Business Review Committee (excluding a part of Attachments) e. Bylaws of Portfolio Review Committee (excluding a part of Attachments) f. Bylaws of Audit, Risk and Compliance Committee (excluding a part of Attachments) g. Rule for the Director Candidate Selection etc. h. Nomination Committee Regulations i. Compensation Committee Regulations 	<ol style="list-style-type: none"> 1. The formulation, modification and abolishment of internal regulations and rules shall in principle be attached to the minutes as attachment. 2. “Modification to the internal regulations and rules” does not include editorial changes etc. of negligible importance.
(3) Appointment of committee members of Nomination Committee and Compensation Committee	<ol style="list-style-type: none"> 1. Based on Nomination Committee Regulations and Compensation Committee Regulations, committee members of Nomination Committee and Compensation Committee shall be appointed at the meeting of the Board of Directors held after the Ordinary General Meeting of Shareholders in June every year, in principle. 	

Board Resolution MattersItems and matters to be submitted to the Board for its resolutionNotes

5. Assignment or acceptance of transfer of businesses, and reorganization of the company

1. Assignment of all or material part of businesses or entire acceptance of transfer of businesses (excluding summary assignment or acceptance of transfer of businesses)
(Article 467 of the Companies Act)

1. Counterparty, purpose, execution date and other contractual terms and conditions of assignment or receipt
2. A statement that it is subject to a special resolution of the General Meeting of Shareholders

1. Under Article 467 of the Companies Act, the following require special resolutions of a General Meeting of Shareholders.

- (1) Assignment of all businesses
- (2) Assignment of a material part of businesses (the book value of the assigned assets is in excess of 1/5 of the company's gross assets)
- (3) Acceptance of all businesses of another company (including foreign companies and other incorporated entities) when the counter value for assignment is in excess of 1/5 of the company's net assets

2. In the case where summary procedures may be taken (if the counterparty company is a specially controlled company pursuant to Article 468:1 of the Companies Act (company, etc. holding 90% or more of the total number of shareholder voting rights)), a resolution of a General Meeting of Shareholders is not required.

3. Note that notifications may be required to be filed with the Japan Fair Trade Commission pursuant to Article 16 of the Antimonopoly Law.

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
(2) Reorganization of the company (excluding simplified reorganization, summary reorganization) (Article 783:1, Article 795:1 and Article 804 of the Companies Act)		
① Merger (excluding simple merger)	1. Major terms and conditions of merger contract	(1) In the event that the company is the surviving company of an acquisition and merger, is the successor company of an absorption-type split or becomes a full parent company as a result of a share swap, and the counter value for the merger or other reorganization paid by the company and calculated as the number of shares delivered multiplied by the net assets per share plus the book value of any non-stock assets delivered is no more than 20% of the net assets of the company. Notwithstanding, this shall not apply in the event of a variance loss as a result of the reorganization.
② Corporate split (excluding simple new establishment split, simple absorption-type split)	2. Major terms and conditions of split plan or split agreement	(2) In the event that the company is the split company in an absorption-type split or new-establishment split and the book value of the assets of the company succeeded to by the successor company is no more than 20% of the company's gross assets.
③ Share swap (excluding simple share swap)	3. Major terms and conditions of share swap contract	3. Registration is required as the surviving company, non-surviving company or newly established company of a merger, as the split company, successor company or newly established company of a corporate split and as the full parent company of a share swap.
		4. Note that notifications may be required to be filed with the Japan Fair Trade Commission pursuant to Article 15 and Article 15-2 of the Antimonopoly Law.

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
6. Matters with material impact on stock		
(1) Issuing of subscribed stock in the company (restricted to favorable issuance) (Article 199:3 of the Companies Act)	(Omitted)	1. Advantageous issuing to third parties requires a special resolution of a General Meeting of Shareholders. 2. Subscription details are found in Article 199:1 of the Companies Act
(2) Issuing of subscribed stock acquisition rights in the company or bonds with stock acquisition rights in the company (restricted to favorable issuance) (Article 238:3 and Article 248 of the Companies Act)	(Omitted)	3. This is a registration item. 4. Issuing of company stocks in association of the stock acquisition rights does not require the resolution of the Board of Directors.
(3) Acquisition of treasury stock authorized in the Articles of Incorporation (Companies Act: Article 459; Articles of Incorporation: Article 29)	1. Reasons purchase is required 2. Class of shares to be acquired 3. Number of shares to be acquired 4. Total acquisition price	1. Advantageous issuing to third parties requires a special resolution of a General Meeting of Shareholders. 2. Subscription details are found in Article 238:1 of the Companies Act (see Item 6 of said paragraph for bond with stock acquisition rights). 3. This is a registration item.
(4) Nomination of shareholder registry manager and place of business (Article 123 of the Companies Act, Article 9 of the Articles of Incorporation)	(Omitted)	1. Total acquisition price is governed by the funding restrictions in Article 461 of the Companies Act. 2. The company has already made a selection, but any modification will require a resolution. 3. This is a registration item.

Board Resolution MattersItems and matters to be submitted to the Board for its resolutionNotes

7. Important matters with respect to the shareholders of the company
- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(1) Convention of General Meetings of Shareholders
(Article 298 of the Companies Act, Article 63 of the Ordinance for Enforcement of the Companies Act, Article 11 and Article 13 of the Articles of Incorporation)</p> <p>(2) Decision of the proposed agenda for a General Meeting of Shareholders</p> <p>(3) Payment of interim dividends (Article 454:5 of the Companies Act)</p> | <p>1. Date, time and place of convention</p> <p>2. Objects of a General Meeting of Shareholders</p> <p>3. Other matters with respect to the convention of General Meetings of Shareholders to be determined by the Board of Directors pursuant to applicable laws and ordinances or the Articles of Incorporation</p> | <p>1. Ordinary practice is to submit the convention of the General Meeting of Shareholders together with the proposed agenda ((2)) as a single package. As an exception, the draft agenda may be resolved in advance on its own.</p> <p>2. The Ordinary General Meeting of Shareholders is to be submitted to the meeting of the Board of Directors in May each year for its resolution.</p> |
| <p>(4) Final accounts and 2nd quarter accounts for the company</p> <p>(1) Financial statements, business reports and supplementary schedules (Article 436 of the Companies Act)</p> | <p>1. Intention to pay interim dividend</p> <p>2. Total value of interim dividend</p> <p>3. Dividend per share</p> <p>4. Allocation to earnings reserves</p> <p>5. Effective date and payment commencement date for payment claim rights</p> | <p>1. Resolution not to pay interim dividend, if applicable. (Not a statutory requirement)</p> <p>2. This agenda item shall be submitted to the Board for its resolution together with the 2nd quarter accounts.</p> |
| <p>(1) Final accounts and 2nd quarter accounts for the company</p> <p>(1) Financial statements, business reports and supplementary schedules (Article 436 of the Companies Act)</p> | <p>(Omitted)</p> | <p>1. Audit and Supervisory Committee and accounting auditors shall audit the financial statements and supplementary schedules, and Audit and Supervisory Committee shall audit the Business Report and supplementary schedules. The audited documents shall be submitted to the Board for its resolution.</p> <p>2. They are not required to submit to the Board for its resolution prior to submission to Audit and Supervisory Committee and accounting auditors.</p> |

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
(2) Consolidated financial statements (Article 444 of the Companies Act)	(Omitted)	1. Consolidated financial statements audited by Audit and Supervisory Committee and accounting auditors shall be submitted to the Board for its resolution.
(3) Provisional financial statements (Article 441 the Companies Act)	(Omitted)	2. They are not being required to submit to the Board for its resolution prior to submission to Audit and Supervisory Committee and accounting auditors.
(4) 2nd quarter accounts	(Omitted)	3. Approved consolidated financial statements shall be furnished to shareholders by attachment to the notice of the Ordinary General Meeting of Shareholders. They shall also be submitted and furnished at the General Meeting and the General Meeting shall hear reports on the details and audit findings.
9. Matters with respect to the directors of the company		1. The Board of Directors meeting to approve the 2nd quarter accounts shall also resolve the payment of an interim dividend.
(1) Appointment and dismissal of representative directors, Chairman of the Board and President (Article 399-13:1:3 of the Companies Act; Article 25 and Article 26 of the Articles of Incorporation)		1. The name and address of the representative director are registration items. Pay attention to changes of address.
		2. Ordinary practice for such proposals is to be submitted to a meeting of the Board of Directors held immediately after an Ordinary General Meeting of Shareholders.
		3. Generally, when such proposals are submitted, there may also be changes in director responsibilities ((2)).
		4. For dismissals, the director constitutes a special interested party.

Board Resolution Matters	Items and matters to be submitted to the Board for its resolution	Notes
(2) Selection and dismissal of executive directors, decisions on retention and dismissal of directors as employees and duties of directors	(Article 363:1:2 of the Companies Act)	<ol style="list-style-type: none"> 1. "Executive Director" refers to a director other than the representative director nominated as a director to execute operations pursuant to a resolution of the Board of Directors. 2. For dismissals, the director constitutes a special interested party. 3. Director responsibilities are ordinarily determined at a meeting of the Board of Directors held immediately after an Ordinary General Meeting of Shareholders and may be changed due to the retention or dismissal of directors as employees.
(3) Approval of competitive transactions by directors (Article 356:1:1 and Article 365 of the Companies Act)	<ol style="list-style-type: none"> 1. Name and address of counterparty company 2. Businesses engaged in by counterparty company 3. Capital and gross assets of counterparty company 4. Shareholding relationships, contractual relationships etc. with the company 5. Business capacity, sales results, sales territories and primary purchasers for each category of product sold by the counterparty company 	<ol style="list-style-type: none"> 1. For a director to concurrently serve as a director or employee of another company and engage in transactions belonging to the business categories of the company, all material facts regarding the transaction must be disclosed and approval must be received from the Board of Directors (Article 356:1:1 and Article 365 of the Companies Act). After-the-fact reports must also be furnished to the Board of Directors (Article 365:2 of the law).

Board Resolution MattersItems and matters to be submitted to the Board for its resolutionNotes

6. Titles and responsibilities in the counterparty company
 7. Scheduled date of appointment and term of office
 8. Reasons concurrent service is required
2. Administration shall in principle be conducted as described below in consultation and coordination with relevant business units.
 - (1) Prior approval must be obtained for appointment as a representative director or director with executive title of a counterparty company other than a wholly-owned subsidiary (this includes concurrent service). Notwithstanding, this shall not apply when the director is clearly not involved in business activities.
 - (2) This shall not apply when the counterparty company is in wholesaling or retailing as the business category is not the same.
 - (3) Approvals when the counterparty company is a supplier of the company shall be determined on a case-by-case basis.
 - (4) If approved, reports shall be furnished at least once per half year.
 - (5) After a director of the company receives approval and is appointed a representative director or director with executive title of a counterparty company, he shall report termination of his position as a representative director or director with executive title of the counterparty during his term of office or any other material changes taking place during his term of office.
 3. The director constitutes a special interested party.

<u>Board Resolution Matters</u>	<u>Items and matters to be submitted to the Board for its resolution</u>	<u>Notes</u>
<p>(4) Approval of conflict-of-interest transactions by directors (Article 356:1:2 and 3, Article 365 of the Companies Act)</p>	<p>1. Details of transaction (timing, method, value etc.)</p>	<p>This is approval for personal transactions (including indirect transactions).</p>
	<p>2.</p>	<p>Personal transaction refers to a transaction with the company when the director transacts as an individual or as a representative of another company. For example:</p>
		<p>(1) Personal loans of funds to the director</p>
		<p>(2) Leasing or assignment of real estate to the director as an individual or leasing or receiving assignment of real estate from the director as an individual</p>
		<p>(3) Entering into contracts with the company when the director represents another company</p>
		<p>3. Indirect transactions refer to conflicts of interest between the company and director with respect to the personal obligations of the director or the obligations of a company for which the director serves as representative director or a director with executive title, for example guarantees, underwriting of obligations or provision of collateral.</p>
		<p>4. With regard to 2 above, formulation and modification (excluding minor ones) of internal regulations and rules by which the company should be in a transactional relationship with each director, e.g. “Policy on Managerial Employee Compensation” and “Regulations with regard to Executive Housing Management” shall be submitted to the Board for its resolution pursuant to this Item 9(4).</p>

5. Wholly-owned subsidiaries are excluded from 2 and 3 above.
6. There is also an obligation to report to the Board of Directors upon the conclusion of personal transactions (including indirect transactions). The director shall therefore report that the transaction was carried out as approved by the Board of Directors after the completion of the transaction.
7. After a director of the company receives approval and is appointed a representative director or director with executive title of a counterparty company, he shall report termination of his position as a representative director or director with executive title of the counterparty during his term of office or any other material changes taking place during his term of office.
8. The director constitutes a special interested party.
9. In case directors other than directors who are also the Audit and Supervisory Committee Members separately obtain approval for conflict-of-interest transactions from Audit and Supervisory Committee prior to implementing the said conflict-of-interest transactions, provision of presuming to have neglected duties of directors who agreed to the resolution of the Board shall not be applied even when the company incurs damage by the said conflict-of-interest transactions (Article 423:3 and 4 of the Companies Act).

Board Resolution Matters	Notes
(5) Modification of director remuneration system and remuneration and bonus distribution	1. The total amount of remunerations for directors who are the Audit and Supervisory Committee Members and other directors is approved by the General Meeting of Shareholders separately (Article 361:2 of the Companies Act). Specific distributions of the former directors are determined by consultations among directors who are the Audit and Supervisory Committee Members, and those of the latter directors are resolved by the Board of Directors. The General Meeting of Shareholders approves the amounts available for bonuses for directors who are not the Audit and Supervisory Committee Members, but specific distributions to individual directors are determined by the Board of Directors.
(6) Determination of the contents of stock compensation provided to directors	
(7) Conclusion of liability restriction contracts with non-executive directors (Article 427 of the Companies Act, Article 27:2 of the Articles of Incorporation)	1. Non-executive directors shall mean the directors other than the “Executive Director, etc.” stipulated in Article 2:15: a of the Companies Act. 2. Ordinary practice is for such proposals to be submitted to a meeting of the Board of Directors held immediately after an Ordinary General Meeting of Shareholders in which outside directors/corporate auditors are elected.
10. Other matters to be determined by the Board of Directors pursuant to applicable laws and ordinances or the Articles of Incorporation	

Board Resolution MattersItems and matters to be submitted to the Board for its resolutionNotes

11. Other especially important business execution matters in the company or in subsidiaries

1. Especially important business execution matters in addition to matters listed in each of the preceding items shall be submitted to the Board for its resolution.

2. Whether or not a matter is “especially important” in 1 above shall be determined by one of the following standards.

(1) The amount per proposal is at least 1,000 Oku yen (excluding the investment or loan (borrowing) between the company and subsidiaries).

(2) It is acknowledged that the implementation of the applicable matter will have (i) material effect on reputation or evaluation of the company and of subsidiaries; or (ii) material effect on stakeholders thereof (including corporate acquisition and transfer of business that significantly alter the direction of the business of the company and of subsidiaries, and establishment and withdrawal of prioritized bases, etc.).

(3) It is acknowledged that the matter will have long-term material effect on the future business of the company and of subsidiaries, etc. (including long-term collaboration, etc. with a large-scale research institution, etc.).

Board Resolution Matters

Items and matters to be submitted to the Board for its resolution

Notes

3. The judgment of 2. (2) and (3) above shall be made by the BRC (or the Head of Corporate Strategy), PRC (or Chief Medical & Scientific Officer ("CMSO")), or ARCC (or GGC) to which the matter is presented. In case the Head of Corporate Strategy or CMSO is to make a judgment, they shall consult with GGC.
4. In case that the material matters related to the progress of the matters approved by the Board (including the termination, cancellation or discontinuance, delay and problem occurrence, etc. of the said matter) occur after the said approval by the Board, the contents thereof shall be promptly reported to the Board.

12. Other matters deemed necessary by
Board of Directors

<u>Board Reporting Matters</u>	<u>Items and matters to be reported to the Board of Directors</u>	<u>Notes</u>
1. Regular reporting items		
(1) CEO Report		
(2) Consolidated Financial Results Summary Report	<ol style="list-style-type: none"> 1. Monthly sales, profits, profit/loss and financial position such as main expenditures, etc. and earnings forecast 2. Outline and matters of note with respect to the operations of individual business units 3. (1st quarter/ 3rd quarter) Contents of disclosure of quarterly financial reports 	<ol style="list-style-type: none"> 1. Summary of financial reports after the last Board meeting (including summaries of status of business operations in individual Divisions, etc.) and earnings forecast are in principle to be reported at each Board meeting. 2. The contents of disclosure of quarterly financial reports shall be reported as well in the Board meetings held immediately after the 1st quarter and the 3rd quarter (The contents of final accounts and 2nd quarter accounts shall be proposed in accordance with the resolution matters 8. (1) and (2), and 8. (4) respectively).
(3) Decision status of BRC		<ol style="list-style-type: none"> 1. Summary of decision status of BRC after the last Board meeting is in principle to be reported at each Board meeting. 2. Matters deemed necessary by the Head of Corporate Strategy are to be reported separately.
(4) Decision status of PRC		<ol style="list-style-type: none"> 1. Summary of decision status of PRC (including the status of research and development) after the last Board meeting is in principle to be reported at each Board meeting. 2. Matters deemed necessary by CMSO are to be reported separately.
(5) Decision status of ARCC		<ol style="list-style-type: none"> 1. Summary of decision status of ARCC after the last Board meeting is in principle to be reported at each Board meeting. 2. Matters deemed necessary by GGC are to be reported separately.

Board Reporting Matters

Items and matters to be reported to the Board of Directors

Notes

(6) Report on important personnel affairs, etc.

1. Following important personnel affairs, etc. approved by President & CEO after the last Board meeting are in principle to be reported at each Board meeting.

(1) Appointment, dismissal and transfer of the officers at the first layer from the perspective of President & CEO and Head of Group Internal Audit

(2) Appointment and dismissal of Corporate Officers

(3) Appointment of company advisors and counselors (“Advisors” means full-time advisors, special advisors, management advisors, scientific advisors, legal advisors, or business advisors who are specified in the Regulation with regard to the appointment and retention of advisors)

2. Matters with respect to insider trading regulations pursuant to the Financial Instruments and Exchange Act.

1. Modification of Policy on Insider Information Management shall be reported pursuant to this Item 2 (excluding minor modification such as correction of wording, etc.)

2. Matters found in the “List of Material Facts etc.” attached to the above-mentioned Policy (excluding those falling under negligibility standards) that do not constitute the matters to be resolved by or reported to the Board shall be reported by the person responsible for the Division with jurisdiction as noted in the list.

Board Reporting Matters

Items and matters to be reported to the Board of Directors

Notes

3. Material matters with respect to legal action, litigation and external affairs
4. Other material matters similar to Board resolution matters

1. Report an outline of material matters with respect to lawsuits, arbitration suits, Fair Trade Commission issues and criminal cases etc.
1. The matters reported shall include the report made pursuant to the Note 4 of the Board Resolution Matter 11.

Attachment 2

Detail of Secretariat duties

Chapter 1: Resolution by and Report to the Board Directors

1. Notification of the Board Resolution Matters and Board Reporting Matters

The relevant divisions shall notify Global General Counsel of the Board Resolution Matters and Board Reporting Matters attaching explanatory materials to the standard notification form in principle at least 10 days prior to the scheduled date of the monthly meeting. However, this shall not apply for matters requiring confidential handling etc.

- (2) The relevant divisions shall create explanatory materials in the Japanese and English languages, with the Japanese version considered the true copy.

2. Conduct of proposals and reports

Even if annual plan has received blanket approval from the Board of Directors, in implementing matters contained therein, such matters shall be submitted to the Board of Directors individually as the individual Board Resolution Matters and Board Reporting Matters in accordance with the category of item.

- (2) Board Resolution Matters shall, if necessary, be deliberated and reviewed by the Business Review Committee, the Portfolio Review Committee or the Audit, Risk and Compliance Committee, be circulated for comment or complete other procedures in advance of referral.
- (3) Proposals that span multiple Board Resolution Matters or Board Reporting Matters may for convenience be proposed or reported as a single item.
- (4) The proposers/reporters of the Board Resolution Matters and Board Reporting Matters may, if necessary, cause other directors or employees to make proposals or reports.
- (5) Global General Counsel shall, at the instruction of the Chair of the Board of Directors meeting, provide the following secretarial services with respect to resolution by and report to the Board of Directors.
 - i) Consult and coordinate with the Corporate Strategy Department and other relevant divisions/ departments regarding actual operation of the bylaws
 - ii) Select and implement matters for written reporting pursuant to Article 10 of the bylaws
 - iii) Provide follow-up reports to the Board of Directors when instructed by the Board of Directors to conduct further studies and investigations
 - iv) When appropriate, report to the Board of Directors concerning reporting items on behalf of the relevant division without requiring the attendance of the relevant division head
- (6) With regard to items in foreign currency, the monetary criteria is applied based on the amount converted into yen using Annual Plan Rate fixed at formulation of annual plan, provided, however, the modified rate shall be used in the case that an additional guidance setting such modified rate is provided due to exchange fluctuations during the fiscal term.

Chapter 2: Creation of minutes

1. Confidentiality

All parties involved in the preparation, circulation and keeping of minutes shall pay strict attention to the confidentiality of all relevant matters.

2. Preparation of draft minutes

Japan Legal shall prepare draft minutes.

- (2) Draft minutes shall in principle be prepared as quickly as possible, subject to confidentiality considerations.

3. Circulation and signing of draft minutes

Draft minutes shall be circulated to all directors. Thereafter, Japan Legal shall affix the seal of the directors and corporate auditors to the minutes on their behalf.

4. Keeping minutes

Japan Legal at Osaka head office shall keep the original copy of the minutes with a duplicate copy retained by Japan Legal at Tokyo head office.

- (2) Original and duplicate copies of the minutes shall be retained in perpetuity. In the event that a translation is prepared of draft minutes for circulation pursuant to Paragraph 3 above, the translation of the draft minutes shall also be kept in perpetuity.

5. Publication of copies and extracts

Copies and/or extracts of minutes may be submitted in accordance with the judgment of Global General Counsel when required by governmental authorities, securities exchanges, banks or other business transaction counterparties etc.

Supplementary provisions

These procedures shall apply mutatis mutandis to the preparation, circulation, and affixing the seal to the minutes of General Meetings of Shareholders, but retention shall be treated as shown below.

	<u>Division</u>	<u>Retention period</u>
<u>Original</u>	Japan Legal at Osaka Head Office	Perpetuity
<u>Copy</u>	Japan Legal at Tokyo Head Office	Perpetuity
<u>Duplicate (Note)</u>	Japan Legal at Tokyo Head Office	5 years

(Note) The purpose for this retention is to fulfill the obligation as the branch office under the Companies Act.

End of Document

Chapter 1 General Provisions

Article 1 (Purpose)

Procedures for handling shares and share options of the Company and for exercising shareholders' rights shall be set forth in accordance with provisions of Japan Securities Depository Center, Inc. (hereinafter referred to as "Center"), functioning as the transfer institution, and securities companies, etc., functioning as account management institutions for the transfer account of shareholders (hereinafter referred to as "Securities Companies, etc."), and provisions of this Rule, as stipulated in Article 11 of the Articles of Incorporation of the Company.

Article 2 (Administrator of Shareholder Registry)

The Company's administrator of shareholder registry and the handling site shall be as indicated below.

Administrator of shareholder registry:

1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation

Share handling site: 3-6-3 Fushimi-machi, Chuo-ku, OsakaOsaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Article 3 (Request or Notice)

All requests or notices under this Rule shall be made with formats stipulated by the Company. However, this provision shall not apply to requests or notices made through Securities Companies, etc. or the Center, or cases stipulated in Paragraph 1, Article 24.

- (2) When the request or notice set forth in the preceding paragraph is made through a proxy, a document evidencing the authority of the proxy shall be submitted. When a consent of a curator or assistant is necessary, a document evidencing such consent shall be submitted.
- (3) Whenever the requests or notices set forth in Paragraph 1 are made through Securities Companies, etc. and the Center, or Securities Companies, etc., the Company may treat such requests or notices as made by shareholders.
- (4) The Company may request a person who has made a request or notice set forth in Paragraph 1 to submit a document evidencing that he/she is a shareholder or his/her proxy.
- (5) When the Company requires submission of the document stipulated in the preceding paragraph, the Company shall not accept the request or the notice set forth in Paragraph 1, unless the document is submitted.
- (6) A guarantor required for making a request or a notice under this Rule shall be a person whom the Company deems appropriate.

Chapter 2 Entries and Records in Shareholder Registry, Etc.

Article 4 (Entries and Records in Shareholder Registry)

The Company shall make entries and records in the Shareholder Registry pursuant to General Shareholder Notification, as received from the Center.

- (2) Upon receiving notices of address changes and other notices of changes in matters entered in the Shareholder Registry from the Center, the Company shall make proper changes in the Shareholder Registry pursuant to the notices.

- (3) In addition to the provisions of the preceding two paragraphs, in case of issuing new shares or other cases stipulated by laws and regulations, entries and records are made in the Shareholder Registry.

Article 5 (Letters, Etc. Used in Shareholder Registry)

Entries and records in the Shareholder Registry of the Company shall be made using the letters and symbols specified by the Center.

Article 6 (Entries and Records in Share Option Registry, Etc.)

Requests for entries and records in the Share Option Registry, registration, transfer, or cancellation of pledges for the share options, or requests for indication or deletion of trust properties, shall be made in writing to the Administrator of Shareholder Registry.

- (2) In addition to the provisions of the preceding paragraph, share option handling procedures may be established separately.

Chapter 3 Registration of Pledges

Article 7 (Registration and Cancellation of Pledges)

Requests for registration, modification, or cancellation of pledges shall be made pursuant to the procedures of the Center.

Chapter 4 Notification

Article 8 (Notification of addresses and names of shareholders, etc.)

Persons entered or recorded in the Shareholder Registry (hereinafter referred to as "Shareholders") shall notify the Company of their addresses and names.

- (2) The notices set forth in the preceding paragraph or any changes to them shall be submitted through the Securities Companies, etc., and the Center. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

Article 9 (Notification of Shareholders, etc. Residing Abroad)

Shareholders, etc. residing abroad shall either appoint a standing proxy in Japan, or designate a place in Japan to receive notices and report the relevant information to the Company.

- (2) The standing proxy shall be included in the Shareholders, etc. stipulated in Paragraph 1 of the preceding article.
- (3) The notices set forth in Paragraph 1 or any changes to them shall be made through the Securities Companies, etc., and the Center. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

Article 10 (Representative of a Corporation)

If a shareholder is a corporation, the title and the name of one (1) representative thereof shall be reported to the Company.

- (2) The notices set forth in the preceding paragraph or any changes to them shall be submitted through the Securities Companies, etc., and the Center. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

Article 11 (Representative of Joint Shareholders)

Shareholders who jointly own shares shall appoint one (1) representative, and report the address and the name of the representative to the Company.

- (2) The notices set forth in the preceding paragraph or any changes to them shall be submitted through the Securities Companies, etc., and the Center. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

Article 12 (Statutory Agent)

Person who has parental authorities, guardians, or other statutory agents, if any, shall report the addresses and names of the statutory agents to the Company.

- (2) The notices set forth in the preceding paragraph or any changes to, or cancellation of, them shall be made through the Securities Companies, etc., and the Center. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

Article 13 (Other Notices)

All notices to the Company, as well as those stipulated from Article 8 through the preceding article, shall be made through the Securities Companies, etc. and the Center, or the Securities Companies, etc., unless specific notification methods are designated by the Company. However, this provision shall not apply to cases set forth in Paragraph 3, Article 4.

- (2) Notices that cannot be accepted or handled by the Securities Companies, etc. shall be submitted to the Administrator of Shareholder Registry.

Article 14 (Notices of Holders of Share Options, Etc.)

Provisions from Article 8 through the preceding article shall apply mutatis mutandis to notification items and methods for persons entered and recorded in the Share Option Registry of the Company. However, the notices shall be submitted to the Administrator of Shareholder Registry, unless otherwise stipulated pursuant to Paragraph 2, Article 6.

Chapter 5 Purchase of Shares Less than One Unit

Article 15 (Method of Requesting Purchase)

Any requests to purchase shares of less than one unit shall be submitted through the Securities Companies, etc. and the Center, as set forth by the Center.

- (2) A shareholder who has made a request for purchasing shares of less than one unit set forth in the preceding paragraph shall not be allowed to cancel the request, unless otherwise stipulated by the Center.

Article 16 (Determination of Purchase Price)

The per-share purchase price for a request set out in the preceding article for shares of less than one unit shall be the closing price at the share market held by Tokyo Stock Exchange, Inc. (hereinafter referred to as "Tokyo Market") on the day on which the request stipulated in the preceding article reaches the share handling site of the Administrator of Shareholder Registry set forth in Article 2. However, if there is no trading in Tokyo Market on that day, the purchase price shall be the price settled at the first sale in Tokyo Market thereafter.

- (2) The proceeds for purchase shall be obtained by multiplying the number of shares to be purchased by the purchase price per share in the preceding paragraph.

Article 17 (Payment of Proceeds for Purchase)

The Company shall pay, unless otherwise set forth by the Company, proceeds for purchase to the person requesting the purchase on the fourth (4th) business day from the day immediately following the day on which the purchase price is determined.

- (2) However, in the case set forth in the preceding paragraph, if the purchase price involves a price cum rights, such as one relating to distribution of surplus and share spilt, etc., the proceeds shall be paid by the relevant record date.

Article 18 (Transfer of Shares Purchased)

The shares less than one unit, for which a request for purchase is made, shall be transferred to the account of the Company on the day on which the payment procedure of the proceeds for purchase has been completed in accordance with the preceding article.

Chapter 6 Additional Purchase of Shares Less than One Unit

Article 19 (Method of Requesting Additional Purchase)

In case a shareholder who owns shares less than one unit requests the additional purchase of shares (hereinafter referred to as "Request for Additional Purchase") by requesting that the Company sell the number of shares that would constitute one unit together with the shares he/she owns, the Request for Additional Purchase shall be submitted to the Company through the Securities Companies, etc. and the Center in accordance with the relevant provisions stipulated by the Center.

- (2) A shareholder who has made a request for additional purchase of shares of less than one unit set forth in the preceding paragraph shall not be allowed to cancel the request, unless otherwise stipulated by the Center.

Article 20 (Limitation on Request for Additional Purchase)

If the total number of shares for which the Request for Additional Purchase is made on the same day exceeds the number of the treasury shares available for transfer by the Company, none of the Requests for Additional Purchase made on the day shall take effect.

Article 21 (Determination of Price of Shares to Be Additionally Purchased)

The price per share of shares less than one unit to be additionally purchased shall be the closing price at Tokyo Market on the day on which the request stipulated in Article 19 reaches the share handling site of the Administrator of Shareholder Registry set forth in Article 2. However, if there is no trading in Tokyo Market on that day, the proviso of Paragraph 1, Article 16 shall apply mutatis mutandis.

- (2) The proceeds for purchase of shares to be additionally purchased shall be obtained by multiplying the number of additional shares to be purchased by the purchase price per share in the preceding paragraph.

Article 22 (Period during which Requests for Additional Purchase are Not Accepted)

The Company shall suspend the acceptance of any Requests for Additional Purchase during the period commencing on the 10th business day prior to the dates mentioned below and ending on any of these dates.

- (1) March 31
 - (2) June 30
 - (3) September 30
 - (4) December 31
 - (5) Other dates for determining shareholders
- (2) Notwithstanding the preceding paragraph, the Company may set other periods during which the acceptance of Requests for Additional Purchase is suspended, if the Company or the Center deems it necessary.

Article 23 (Transfer Timing for Shares Additionally Purchased)

The Company shall apply for a transfer of title with regard to the shares less than one unit, for which a Request for Additional Purchase has been made, to the said shareholder, on the day on which the Company has confirmed a remittance by the shareholder into the bank account designated by the Company.

Chapter 7 Method of Exercising Minority Shareholders' Rights, Etc.

Article 24 (Method of Exercising Minority Shareholders' Rights, Etc.)

If the minority shareholders' rights set forth in Paragraph 4, Article 147 of Act on Book-Entry Transfer of Company Bonds, Shares, etc. (hereinafter referred to as "Transfer Act") are directly exercised against the Company, a document bearing the signature or the name and seal of the shareholder exercising the said rights shall be submitted after a request to Securities Companies etc. for the Individual Shareholder Notification (stipulated in Paragraph 3, Article 154 of the Transfer Act).

- (2) Provisions of Paragraph 2, Paragraph 4, and Paragraph 5 of Article 3 shall apply to the exercise of the minority shareholders' rights, as stipulated in the preceding paragraph.

Article 25 (Reference Document for Shareholders' Meeting for Proposals by Shareholders)

If a shareholder intends to make a request pursuant to Paragraph 1, Article 305 of the Companies Act, as set forth in Paragraph 1 of the preceding article, he/she shall describe the following contents of the proposal within the specified number of words, respectively (or such other volumes as may be deemed necessary and specified by the Company), on the document set forth in Paragraph 1 of the preceding article. In this case, if their outlines are requested separately by the Company, the shareholder shall submit such outlines to the Company.

1. Reasons for proposal: 400 letters (in Japanese)
2. Gist of proposed agenda: 400 letters (in Japanese)
(However, as for agenda of election of directors, corporate auditors, and accounting auditors, the matters specified respectively in Article 74, Article 76, and Article 77 of the Ordinance for Enforcement of the Companies Act shall be given in 400 letters (in Japanese) for each candidate).

Chapter 8 Special Treatments for Special Accounts

Article 26 (Special Treatments for Special Accounts)

The handling of special accounts, including the name identification of shareholders whose special accounts have been opened by the Company, shall be governed not only by this Rule, but also the relevant provisions of account management organizations for special accounts.

Supplementary Provision

All modifications to this Rule shall be made at resolutions of the Board of Directors.

End of Document

Resolution at Board of
Directors

Enacted : March 23, 1967

Implemented : April 1, 1967

<u>Name of Company Regulation</u>	<u>Rule No. 2 Implementation Date</u>	<u>Company Shares, etc. Handling Rule</u>	<u>Implementation Date</u>
<u>Revision Date</u>		<u>Revision Date</u>	
March 25, 1971	April 1, 1971		
February 23, 1977	March 7, 1977		
April 27, 1977	May 1, 1977		
October 31, 1979	December 3, 1979		
September 29, 1982	October 1, 1982		
January 24, 1989	February 13, 1989		
December 20, 1991	December 20, 1991		
September 29, 1999	October 1, 1999		
May 19, 2000	May 19, 2000		
September 26, 2001	October 1, 2001		
November 27, 2001	January 15, 2002		
August 27, 2002	September 2, 2002		
March 25, 2003	April 1, 2003		
June 29, 2004	June 29, 2004		
June 30, 2005	June 30, 2005		
September 21, 2005	October 1, 2005		
June 29, 2006	June 29, 2006		
May 7, 2007	May 7, 2007		
January 1, 2008	January 1, 2008		
April 25, 2008	April 25, 2008		
November 26, 2008	January 5, 2009		
October 1, 2009	October 13, 2009		
February 1, 2010	January 6, 2010		
July 16, 2013	July 16, 2013		

TAKEDA PHARMACEUTICAL COMPANY LIMITED

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Amended and Restated Deposit Agreement

Dated as of _____, 2018

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AMENDED AND RESTATED DEPOSIT AGREEMENT

AMENDED AND RESTATED DEPOSIT AGREEMENT dated as of _____, 2018 among TAKEDA PHARMACEUTICAL COMPANY LIMITED, a joint-stock corporation incorporated under the laws of Japan (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depository), and all Owners (as hereinafter defined) and Holders (as hereinafter defined) from time to time of American Depositary Shares (as hereinafter defined) issued hereunder.

WITNESSETH:

WHEREAS, the Company and the Depository entered into a deposit agreement dated as of May 10, 2010 (the “Prior Deposit Agreement”) for the purposes stated in that agreement; and

WHEREAS, the Company and the Depository now wish to amend and restate the Prior Deposit Agreement to (i) reflect that the Company has become a reporting company under the Securities Exchange Act of 1934, as amended, and (ii) to amend and update the Prior Deposit Agreement in certain other respects; and

WHEREAS, the Company desires to provide, as hereinafter set forth in this Amended and Restated Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depository or with the Custodian (as hereinafter defined) as agent of the Depository for the purposes set forth in this Amended and Restated Deposit Agreement, for the creation of American Depositary Shares representing the Shares so deposited and for the execution and delivery of American Depositary Receipts (as hereinafter defined) evidencing the American Depositary Shares; and

WHEREAS, the American Depositary Receipts are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Amended and Restated Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto that the Prior Deposit Agreement is hereby amended and restated as follows:

ARTICLE 1. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.01 American Depositary Shares.

The term “American Depositary Shares” shall mean the securities created under this Deposit Agreement representing rights and interests with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares. Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, until there shall occur a distribution upon Deposited Securities covered by Section 4.03 or a change in Deposited Securities covered by Section 4.08 with respect to which additional American Depositary Shares are not delivered, and thereafter American Depositary Shares shall represent the amount of Shares or Deposited Securities specified in such Sections.

SECTION 1.02 Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.03 Company.

The term “Company” shall mean Takeda Pharmaceutical Company Limited, a joint-stock corporation incorporated under the laws of Japan, and its successors.

SECTION 1.04 Custodian.

The term “Custodian” shall, as of the date hereof, mean the Tokyo, Japan office of Sumitomo Mitsui Banking Corporation, as agent of the Depository for the purposes of this Deposit Agreement, and any other firm or corporation which may hereafter be appointed by the Depository pursuant to the terms of Section 5.05, as substitute or additional custodian or custodians hereunder, as the context shall require and shall also mean all of them collectively.

SECTION 1.05 Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) book-entry transfer of American Depositary Shares to an account at DTC designated by the person entitled to such delivery, evidencing American Depositary Shares registered in the name requested by that person, (ii) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depository in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depository to the person entitled to such delivery of one or more Receipts.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depository, (ii) delivery to the Depository at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depository at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.06 Deposit Agreement.

The term “Deposit Agreement” shall mean this Amended and Restated Deposit Agreement, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.07 Depository; Corporate Trust Office.

The term “Depository” shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depository hereunder. The term “Corporate Trust Office”, when used with respect to the Depository, shall mean the office of the Depository which at the date of this Deposit Agreement is 240 Greenwich Street, New York, New York 10286.

SECTION 1.08 Deposited Securities.

The term “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation Shares that have not been successfully

delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depository or the Custodian in respect thereof and at such time held under this Deposit Agreement, subject as to cash to the provisions of Section 4.05.

SECTION 1.09 Dollars.

The term “Dollars” shall mean United States dollars.

SECTION 1.10 DTC.

The term “DTC” shall mean The Depository Trust Company or its successor.

SECTION 1.11 Foreign Registrar.

The term “Foreign Registrar” shall mean the entity that presently carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other appointed agent of the Company for the transfer and registration of Shares, including without limitation any securities depository for the Shares.

SECTION 1.12 Holder.

The term “Holder” shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person. A Holder may or may not be an Owner.

SECTION 1.13 Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depository maintained for such purpose.

SECTION 1.14 Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued hereunder evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.15 Registrar.

The term “Registrar” shall mean any bank or trust company having an office in the Borough of Manhattan, The City of New York, that is appointed by the Depository to register American Depositary Shares and transfers of American Depositary Shares as herein provided.

SECTION 1.16 Restricted Securities.

The term “Restricted Securities” shall mean Shares, or American Depositary Shares representing Shares, that are acquired directly or indirectly from the Company or its affiliates (as defined in Rule 144 under the Securities Act of 1933) in a transaction or chain of transactions not involving any public offering, or that are subject to resale limitations under Regulation D under the Securities Act of 1933 or both, or which are held by an officer, director (or persons performing similar functions) or other affiliate of the Company, or that would require registration under the Securities Act of 1933 in connection with the offer and sale thereof in the United States, or that are subject to other restrictions on sale or deposit under the laws of the United States or Japan, or under a shareholder agreement or the Articles of Incorporation or other similar document of the Company.

SECTION 1.17 Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.18 Shares.

The term “Shares” shall mean shares of the common stock of the Company that are validly issued and outstanding and fully paid, nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided, however, that, if there shall occur any change in nominal value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.08, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

SECTION 1.19 Units.

The term “Unit” shall mean 100 Shares or such other number of Shares as the Articles of Incorporation of the Company may provide as a “Unit of Shares” for purposes of the Companies Act of Japan, as such Articles of Incorporation may be amended from time to time.

ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.01 Form of Receipts; Registration and Transferability of American Depositary Shares.

Definitive Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as hereinafter provided and the transfer of each such Receipt shall be registered and (y) all American Depositary Shares delivered as hereinafter provided and all registrations of transfer of American Depositary Shares shall be registered. A Receipt bearing the facsimile signature of a person that was at any time a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, notwithstanding that such person was not a proper officer of the Depositary on the date of issuance of that Receipt.

The Receipts may with the Company’s consent (which shall not be unreasonably withheld) be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or the Company or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by a Receipt shall be transferable as uncertificated registered securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person

entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depository nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any Holder of American Depositary Shares unless that Holder is the Owner of those American Depositary Shares.

SECTION 2.02 Deposit of Shares.

Subject to the terms and conditions of this Deposit Agreement and applicable law, Shares (other than Restricted Securities) may be deposited by delivery thereof to any Custodian hereunder, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian, together with all such certifications as may be required by the Depository or the Custodian in accordance with the provisions of this Deposit Agreement, and, if the Depository requires, together with a written order directing the Depository to deliver to, or upon the written order of, the person or persons stated in such order, the number of American Depositary Shares representing such deposit.

No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depository that any necessary approval has been granted by any governmental body in Japan that is then performing the function of the regulation of currency exchange. If required by the Depository, Shares presented for deposit at any time, whether or not the transfer books of the Company or the Foreign Registrar, if applicable, are closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depository, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property which any person in whose name the Shares are or have been recorded may thereafter receive upon or in respect of such deposited Shares, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depository.

At the request, risk and expense of any person proposing to deposit Shares, and for the account of such person, the Depository may receive Shares to be deposited, or evidence or record that irrevocable instruments or instructions have been given to cause the transfer of Shares to the account of the Custodian, together with the other instruments herein specified, for the purpose of forwarding such Shares, evidence or record to the Custodian for deposit hereunder.

Upon each delivery to a Custodian of Shares to be deposited hereunder, together with the other documents specified above, if any, such Custodian shall, as soon as transfer and recordation can be accomplished, notify and instruct the Company or the Foreign Registrar, if applicable, for transfer and recordation of the Shares being deposited in the name of the Depository or its nominee or such Custodian or its nominee.

Deposited Securities shall be held by the Depository or by a Custodian for the account and to the order of the Depository or at such other place or places as the Depository shall determine. In its capacity as such, the Depository agrees that it shall not lend Deposited Securities.

The Depository will use reasonable efforts to comply with written instructions of the Company to not accept for deposit under this Deposit Agreement any Shares identified in such instructions at such time and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws in the United States.

SECTION 2.03 Delivery of American Depositary Shares.

Upon receipt by any Custodian of any deposit pursuant to Section 2.02, together with the other documents required as specified above, such Custodian shall notify the Depository of such deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof and the number of American Depositary Shares to be so delivered. Such notification shall be made by letter

(delivered by hand or sent via first class mail postage prepaid) or, at the request, risk and expense of the person making the deposit, by facsimile transmission or electronic e-mail (and in addition, if the transfer books of the Company or the Foreign Registrar, if applicable, are open, the Depositary may in its sole discretion require a proper acknowledgment or other evidence from the Company or the Foreign Registrar that any Deposited Securities have been recorded upon the books of the Company or the Foreign Registrar, if applicable, in the name of the Depositary or its nominee or such Custodian or its nominee). Upon receiving such notice from such Custodian, or upon the receipt of Shares by the Depositary, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall deliver without unreasonable delay, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit, but only upon payment to the Depositary of the fees and expenses of the Depositary for the delivery of such American Depositary Shares as provided in Section 5.09, and of all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Deposited Securities.

SECTION 2.04 Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall without unreasonable delay register transfers of American Depositary Shares on its transfer books from time to time, upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner in person or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.09), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Thereupon the Depositary shall deliver those American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall without unreasonable delay upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.09) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver, without unreasonable delay, to the Owner the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary. The Depositary shall require each co-transfer agent that it appoints under this Section 2.04 to accept its appointment in writing and agree in writing to abide by the applicable provisions of this Deposit Agreement. The Depositary shall notify the Company as promptly as practicable of any appointment it makes under this paragraph.

SECTION 2.05 Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.09 and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, and the Company's Articles of Incorporation and any other applicable law and regulation and to the extent delivery can then be practicably made, the Owner of those American Depositary Shares shall be entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery shall be made, as hereinafter provided, without unreasonable delay.

A Receipt surrendered for such purposes may be required by the Depositary to be properly endorsed in blank or accompanied by proper instruments of transfer in blank. The Depositary may require the surrendering Owner to execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in such order. Thereupon the Depositary shall direct the Custodian to deliver at the office of such Custodian, without unreasonable delay and subject to Sections 2.06, 3.01 and 3.02 and to the other terms and conditions of this Deposit Agreement, the Company's Articles of Incorporation and applicable laws or regulations now or hereinafter in effect to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, and the Depositary may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. The Depositary may make delivery to such person or persons at the Corporate Trust Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by those American Depositary Shares, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

At the request, risk and expense of any Owner so surrendering American Depositary Shares, and for the account of such Owner, the Depositary shall direct the Custodian to forward any cash or other property (other than rights) comprising, and forward a certificate or certificates, if applicable, and other proper documents of title for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Corporate Trust Office of the Depositary.

SECTION 2.06 Limitations on Delivery, Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as herein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.06.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit

Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in this Deposit Agreement, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any United States or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933 for public offer and sale in the United States unless a registration statement is in effect as to such Shares for such offer and sale.

SECTION 2.07 Lost Receipts, etc.

In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner, execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depositary shall deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner thereof shall have (a) filed with the Depositary (i) a request for such execution and delivery before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfied any other reasonable requirements imposed by the Depositary.

SECTION 2.08 Cancellation and Destruction of Surrendered Receipts.

All Receipts surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy Receipts so cancelled. Cancelled Receipts shall not be entitled to any benefits under this Deposit Agreement or be valid for any purpose.

SECTION 2.09 DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.04, the parties acknowledge that the Direct Registration System ("DRS") and Profile Modification System ("Profile") shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 shall apply to the matters arising from the use of the DRS. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile System and in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depositary.

ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.01 Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or Holder may be required, and each Holder and Owner agrees, from time to time to provide to the Depositary or the Custodian such proof of citizenship or residence, taxpayer status, exchange control approval, legal or beneficial ownership of such Shares, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem reasonably necessary or proper. The Depositary may withhold the delivery or registration of transfer of American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is provided or such certificates are executed or such representations and warranties made, in each case to the Depositary's and the Company's satisfaction. Upon written request of the Company, the Depositary shall deliver to the Company copies of the documents or instruments delivered to the Depositary pursuant to this Section 3.01.

SECTION 3.02 Liability of Owner for Taxes.

If any present or future tax or other governmental charge shall become payable by the Custodian or the Depositary with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be the sole responsibility of the Owner of such American Depositary Shares, payable by such Owner to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner thereof any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner of such American Depositary Shares shall remain liable for any deficiency.

SECTION 3.03 Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that (a) such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and were legally obtained by such person, (b) all preemptive rights (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (c) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the American Depositary Shares issuable upon such deposit will not be, Restricted Securities, (d) the Shares presented for deposit have not been stripped of any rights or entitlements and (e) that the person making such deposit is duly authorized so to do. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of American Depositary Shares in respect thereof and the transfer of such American Depositary Shares. If any such representations or warranties are false in any way with respect to any person depositing Shares under this Deposit Agreement or any Holder or Owner of American Depositary Shares, such person or such Holder or Owner shall be deemed to have waived any claims against the Company and the Depositary related to the consequences thereof and to have assumed sole responsibility therefor and the Company and Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

SECTION 3.04 Disclosure of Interests.

The Company may from time to time request Owners, through the Depositary, to provide information as to the capacity in which such Owners own or owned American Depositary Shares and regarding the identity of

any other persons then or previously interested in such American Depositary Shares and the nature of such interest and various other matters.

Each Owner agrees to provide any information reasonably requested by the Company or the Depositary pursuant to this Section 3.04. The Depositary agrees to comply with reasonable written instructions from the Company requesting that the Depositary forward any requests to the Owners and to forward promptly to the Company any such responses to such requests by the Depositary.

SECTION 3.05 Ownership Restrictions.

Notwithstanding any other provision in this Deposit Agreement or any Receipt, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or regulation or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the American Depositary Shares where such transfer may result in the total number of Shares represented by the American Depositary Shares owned by a single Holder or Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of American Depositary Shares, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Owner of the Shares represented by the American Depositary Shares held by such Holder or Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described in this Section 3.05.

SECTION 3.06 Reporting Obligations and Regulatory Approvals.

Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Owners, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Owners are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company nor any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

ARTICLE 4. THE DEPOSITED SECURITIES

SECTION 4.01 Cash Distributions.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities from the Company through the Custodian, the Depositary shall, subject to the provisions of Section 4.05, promptly convert or cause to be converted such dividend or distribution into Dollars and shall, without unreasonable delay, distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.09) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively; provided, however, that in the event that the Company, the Custodian or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owner of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. Such withheld or deducted amounts shall be forwarded by the Company, the Custodian or the Depositary, as the case may be, to the relevant governmental authority. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto.

SECTION 4.02 Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Sections 4.11 and 5.09, whenever the Depositary shall receive any distribution from the Company through the Custodian other than a distribution described in Section 4.01, 4.03 or 4.04, the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may reasonably deem equitable and practicable for accomplishing such distribution; provided, however, that if, after consultation with the Company to the extent practicable, the Depositary determines that distribution is not lawful or reasonably practicable for any reason (including, but not limited to, such distribution cannot be made proportionately among the Owners entitled thereto or that such securities must be registered under the Securities Act of 1933 in order to be distributed to Owners), the Depositary shall endeavor to sell or cause such property or securities to be sold in a public or private sale, at such place or places and upon such terms as it may deem proper, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.09) shall be distributed without unreasonable delay by the Depositary to the Owners entitled thereto, all in the manner and subject to the conditions described in Section 4.01. The Depositary may withhold any distribution of securities under this Section 4.02 if it has not received satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.02 that is sufficient to pay its fees and expenses in respect of that distribution. If the Depositary is unable to sell such property or securities, the Depositary may dispose of such property or securities in any way it deems reasonably practicable under the circumstances. Neither the Depositary nor the Company shall be responsible for (a) any failure to determine whether it is lawful or practicable to make such property or securities available to the Owners nor (b) any foreign exchange exposure or loss incurred in connection with the sale or disposal of such property or securities.

SECTION 4.03 Distributions in Shares.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Company so requests in writing, deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of this Deposit Agreement with respect to the deposit of Shares and after deduction or upon issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 and the payment of the fees and expenses of the Depositary as provided in Section 5.09 (and the Depositary may sell, by public or private sale, an amount of the Shares received sufficient to pay its fees and expenses in respect of that distribution). The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Shares represented by the aggregate of such fractions by public or private sale (or, if such sale is not possible with respect to any portion of such Shares which is less than a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of the Articles of Incorporation, other similar documents of the Company, Companies Act of Japan and any other Japanese law or regulation) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.01. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

SECTION 4.04 Rights.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary shall

have reasonable discretion, after consultation with the Company, as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion, after consultation with the Company, that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines in its discretion, after consultation with the Company, the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner hereunder, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of this Deposit Agreement, and shall, pursuant to Section 2.03 of this Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Section, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines in its discretion, after consultation with the Company, that it is not lawful or feasible to make such rights available to all or certain Owners, it shall, unless requested by the Company in writing not to, sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.09 and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of this Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

There can be no assurance that Owners generally, or any Owner in particular, will be given the opportunity to exercise rights on the same terms and conditions as the holders of Shares. Neither the Depositary nor the Company shall be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

SECTION 4.05 Conversion of Foreign Currency.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine such foreign currency into Dollars, and such Dollars shall be distributed without unreasonable delay to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation in whole or in part depending upon the terms of such warrants or other instruments. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable opinion of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the remaining Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under this Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under this Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.03. The methodology used to determine exchange rates used in currency conversions is available upon request.

SECTION 4.06 Fixing of Record Date.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever

the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date which shall be the same date as the record date, if any, applicable to the deposited Shares, or as close thereto as practicable (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee or charge assessed by the Depositary pursuant to this Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.01 through 4.05 and to the other terms and conditions of this Deposit Agreement, the Owners on such record date shall be entitled, as the case may be, to receive the amount distributable by the Depositary with respect to such dividend or other distribution or such rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively and to give voting instructions and to act in respect of any other such matter.

SECTION 4.07 Voting of Deposited Securities.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, send to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law or regulation and of the Articles of Incorporation or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares (iii) a statement as to the manner in which those instructions may be given, including an express indication that instructions may be deemed given in accordance with the last sentence of paragraph (b) below, if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company and (iv) the last date on which the Depositary will accept instructions (the "Instruction Cutoff Date").

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. So long as under the Articles of Incorporation or other similar documents of the Company and Japanese law or regulation votes may only be cast in respect of one or more whole Units of Shares, (i) the same instructions received from Owners shall be aggregated and the Depositary shall, subject to applicable law or regulation and market practice, endeavor to vote or cause to be voted the number of whole Units in respect of which such instructions as so aggregated have been received, in accordance with such instructions, and (ii) such Owners acknowledge and agree that, if the Depositary has received the same instructions any portion of which, after aggregation of all such instructions, constitutes instructions with respect to less than a whole Unit of Shares, the Depositary will be unable to vote or cause to be voted the Shares to which such portion of the instructions applies. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary or as provided in the following sentence. If

(i) the Company instructed the Depositary to send a notice under paragraph (a) above and gave the Depositary notice of the meeting and details of the matters to be voted upon at least 28 days before the meeting date,

(ii) no instructions are received by the Depositary from an Owner with respect to a matter and an amount of American Depositary Shares of that Owner on or before the Instruction Cutoff Date and

(iii) the Depositary has received from the Company, not later than the New York business day following the Instruction Cutoff Date, a written confirmation that, as of the Instruction Cutoff Date, (x) the Company wishes a proxy to be given under this sentence, (y) the Company reasonably does not know of any substantial opposition to the matter and (z) the matter is not materially adverse to the interests of shareholders,

then, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that matter and the amount of deposited Shares represented by that amount of American Depositary Shares and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of deposited Shares as to that matter; provided, however, that no discretionary proxy shall be given with respect to the number of deposited Shares represented by American Depositary Shares held by CREST Depositary Limited and represented by CREST depository interests (CDIs).

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) If the Company will request the Depositary to send a notice under paragraph (a) above, the Company shall endeavor to give the Depositary at least 28 days' prior notice of any meeting of holders of Shares and the details of the matters to be voted upon, unless such advance notice is not possible because less than 30 days' notice of the meeting has been given in accordance with the Company's Articles of Incorporation and Japanese law, in which case Company will provide to the Depositary such advance notice of the meeting as may be possible under the circumstances.

SECTION 4.08 Changes Affecting Deposited Securities.

Upon any change in nominal value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or a Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities, shall be treated as new Deposited Securities under this Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional American Depositary Shares are delivered pursuant to the following sentence. In any such case the Depositary may, and shall if the Company requests in writing, deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

SECTION 4.09 Reports.

The Depositary shall make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also, upon written request by the Company, send to the Owners copies of such reports when furnished by the Company pursuant to Section 5.06. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10 Lists of Owners.

Promptly upon request by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of American Depositary Shares by all persons in whose names American Depositary Shares are registered on the books of the Depositary.

Any other records maintained by the Depositary, the Custodian, the Registrar or any co-transfer agent or co-registrar under this Deposit Agreement shall be promptly made available to the Company upon its reasonable request.

SECTION 4.11 Withholding.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, this Deposit Agreement.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it.

SECTION 4.12 Information Required for Reports to Governmental Agencies.

The Depositary will forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file necessary reports with governmental agencies.

ARTICLE 5. THE DEPOSITARY, THE CUSTODIANS AND THE COMPANY

SECTION 5.01 Maintenance of Office and Transfer Books by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain in the Borough of Manhattan, The City of New York, an office and facilities for the execution and delivery, registration, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

If any American Depositary Shares are listed on one or more stock exchanges in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registry of such American Depositary Shares in accordance with any requirements of such exchange or exchanges.

SECTION 5.02 Prevention or Delay in Performance by the Depository or the Company.

Neither the Depository nor the Company nor any of their respective directors, employees, agents or affiliates shall be obligated to do or perform any act which is inconsistent with the provisions of this Deposit Agreement or shall incur any liability to any Owner or Holder (i) if by reason of any provision of any present or future law or regulation of the United States, Japan or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the Articles of Incorporation or other similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Company shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of this Deposit Agreement or the Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of this Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement, (iv) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit which is made available to Holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or Holders, or (v) for any special, consequential or punitive damages for any breach of the terms of this Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03, or an offering or distribution pursuant to Section 4.04, or for any other reason, such distribution or offering may not be made available to Owners, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse.

SECTION 5.03 Obligations of the Depository, the Custodian and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depository assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depository agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith, and the Depository shall not be a fiduciary or have any fiduciary duty to Owners or Holders.

Neither the Depository nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depository Shares on behalf of any Owner or Holder or any other person.

Neither the Depository nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Holder or any other person believed by it in good faith to be competent to give such advice or information.

The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with any matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

The Depository shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise.

The Depository shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or non-action is in good faith.

Neither the Depository nor the Company shall incur any liability for any failure to determine that any distribution or action may be lawful, feasible or reasonably practicable, or for any tax consequences that may result from the ownership of American Depositary Shares or Deposited Securities, for the credit-worthiness of any third party or for allowing any rights to lapse upon the terms of this Deposit Agreement.

No disclaimer of liability under the United States federal securities laws is intended by any provision of this Deposit Agreement.

SECTION 5.04 Resignation and Removal of the Depository.

The Depository may at any time resign as Depository hereunder by written notice of its resignation delivered to the Company, such resignation to take effect upon the appointment of a successor depository and its acceptance of such appointment as hereinafter provided.

The Depository may at any time be removed by the Company by 90 days' prior written notice of such removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depository and (ii) the appointment of a successor depository and its acceptance of such appointment as hereinafter provided.

In case at any time the Depository acting hereunder shall resign or be removed, the Company shall use its reasonable efforts to appoint a successor depository, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depository shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depository, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor; but such predecessor, nevertheless, upon payment of all sums due it and on the written request of the Company shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Deposited Securities to such successor and shall deliver to such successor a list of the Owners of all outstanding Receipts. Any such successor depository shall promptly mail notice of its appointment to the Owners.

Any corporation into or with which the Depository may be merged or consolidated shall be the successor of the Depository without the execution or filing of any document or any further act. The Depository agrees to give written notice of any such merger or consolidation to the Company.

SECTION 5.05 The Custodian.

The Custodian and its successors acting hereunder shall be subject at all times and in all respects to the directions of the Depository and shall be responsible solely to it. The Depository in its discretion may at any time appoint a substitute or additional custodian or custodians, each of which shall thereafter be one of the Custodians under this Deposit Agreement. If the Depository receives notice that a Custodian is resigning and, upon the effectiveness of that resignation there would be no Custodian acting under this Deposit Agreement, the Depository shall, as promptly as practicable after receiving that notice, appoint a substitute custodian or custodians, each of which shall thereafter be a Custodian under this Deposit Agreement. The Depository shall notify the Company of any change in custodian as promptly as practicable. The Depository shall require any Custodian that resigns or is removed to deliver all Deposited Securities held by it to another Custodian.

Upon the appointment of any successor depositary hereunder, each Custodian then acting hereunder shall forthwith become, without any further act or writing, the agent hereunder of such successor depositary and the appointment of such successor depositary shall in no way impair the authority of each Custodian hereunder; but the successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority as agent hereunder of such successor depositary.

SECTION 5.06 Notices and Reports.

On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights, the Company agrees to transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Shares or other Deposited Securities.

The Company will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of such notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will arrange for the mailing, at the Company's expense, of copies of such notices, reports and communications to all Owners. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings.

The Company represents that as of the date of this Deposit Agreement, the statements in Article 11 of the Receipt with respect to the Company's obligation to file periodic reports under the United States Securities Exchange Act of 1934, as amended, are true and correct. The Company agrees to promptly notify the Depositary upon becoming aware of any change in the truth of any of those statements.

SECTION 5.07 Distribution of Additional Shares, Rights, etc.

If the Company determines, or the Company knows that an affiliate of the Company determines, to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a "Distribution"), the Company shall notify the Depositary in writing in English as promptly as practicable and in any event before the Distribution starts and, if requested in writing by the Depositary, the Company shall promptly furnish to the Depositary either (i) evidence satisfactory to the Depositary that the Distribution is registered under the Securities Act of 1933 or (ii) a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depositary, stating that the Distribution does not require, or, if made in the United States, would not require, registration under the Securities Act of 1933.

In the event that registration under the Securities Act of 1933 would be required in connection with any such Distribution, the Company shall have no obligation to effect such registration and, in the absence of such registration, the Depositary shall (where applicable) pursuant to Section 4.02, 4.03 or 4.04 dispose of such additional securities in accordance with such Sections.

The Company agrees with the Depositary that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares, either originally issued or previously issued and reacquired by the Company or any such affiliate, unless a registration statement is in effect as to such Shares under the Securities Act of 1933 or an exemption under the Securities Act of 1933 is otherwise available in respect of such Shares or the Company delivers to the Depositary an opinion of United States counsel, satisfactory to the Depositary, to the effect that, upon deposit, those Shares will be eligible for public resale in the United States without further registration under the Securities Act of 1933.

Notwithstanding the foregoing, nothing in this Deposit Agreement shall create any obligation on the part of the Company (i) to file a registration statement with respect to the deposit of any Shares or other Deposited Securities, or the issuance of (x) additional Shares or other Deposited Securities, (y) rights to subscribe for such Shares or other Deposited Securities, securities convertible into or exchangeable for Shares or other Deposited Securities, (z) rights to subscribe for such securities, or to endeavor to have such a registration statement declared effective or (ii) to alter in any manner the terms and conditions of any offering or issuance of such Shares or other Deposited Securities, rights, or convertible or exchangeable securities.

SECTION 5.08 Indemnification.

The Company agrees to indemnify the Depository, its directors, employees, agents and affiliates and any Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to the reasonable fees and expenses of counsel) which may arise out of or in connection with (a) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States or (b) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (i) by either the Depository or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Company or any of its directors, employees, agents and affiliates.

The Depository agrees to indemnify the Company, its directors, employees, agents and affiliates and hold them harmless from any liability or expense (including, but not limited to, the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depository or its Custodian or their respective directors, employees, agents and affiliates due to their negligence or any act or omission in bad faith.

Any person seeking indemnification hereunder (an "Indemnified Person") shall notify the person from whom it is seeking indemnification (the "Indemnifying Person") of the commencement of any indemnifiable action or claim promptly after such Indemnified Person becomes aware of such commencement (provided that the failure to make such notification shall not affect such Indemnified Person's rights to indemnification except to the extent the Indemnifying Person is materially prejudiced by such failure) and shall consult in good faith with the Indemnifying Person as to the conduct of the defense of such action or claim, which defense shall be reasonable under the circumstances. No Indemnified Person shall compromise or settle any such action or claim without the consent in writing of the Indemnifying Person (which shall not be unreasonably withheld).

The obligations set forth in this Section shall survive the termination of this Deposit Agreement and the succession or substitution of any party hereto.

SECTION 5.09 Charges of Depository.

The Company agrees to pay the fees and out-of-pocket expenses of the Depository and those of any Registrar only in accordance with agreements in writing entered into between the Depository and the Company from time to time.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depository or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable (including SWIFT) and facsimile transmission expenses as are expressly provided in

this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02, (6) a fee of \$.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 hereof, (7) a fee for the distribution of securities pursuant to Section 4.02, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

SECTION 5.10 Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary unless the Company requests that such papers be retained for a longer period or turned over to the Company or to a successor depositary.

SECTION 5.11 Exclusivity.

The Company agrees not to appoint any other depositary for issuance of American depositary shares or receipts so long as The Bank of New York Mellon is acting as Depositary hereunder.

SECTION 5.12 List of Restricted Securities Owners.

From time to time, the Company shall provide to the Depositary a list setting forth, to the actual knowledge of the Company, those persons or entities who beneficially own Restricted Securities and the Company shall update that list on a regular basis. The Company agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder. The Depositary may rely on such a list or update and shall not be liable for any loss, damage or expense incurred as a result of errors or omissions with respect to any information contained in such list or update which is utilized by the Depositary hereunder.

SECTION 5.13 Change in Unit.

The Company agrees that it shall give notice to the Depositary of any proposed amendment to its Articles of Incorporation which would change the number of Shares previously designated as a Unit. Such notice shall be given as far in advance of the date on which such amendment is scheduled to become effective as is practicable under the circumstances.

SECTION 5.14 Information for Regulatory Compliance.

Each of the Company and the Depositary shall provide to the other, as promptly as practicable, information from its records or otherwise available to it that is reasonably requested by the other to permit the other to comply with applicable law or requirements of governmental or regulatory authorities.

ARTICLE 6. AMENDMENT AND TERMINATION

SECTION 6.01 Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by written agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, or facsimile transmission delivery expenses or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body or clearing institution should adopt new laws, rules or regulations which would require amendment of this Deposit Agreement to ensure compliance therewith or any amendment to the Articles of Incorporation of the Company is made that would require amendment of this Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend this Deposit Agreement and the Receipts at any time in accordance with such changed laws, rules or regulations or such amendment to the Articles of Incorporation. Such amendment to this Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Owners and Holders or within any other period of time as required for compliance with such laws, rules or regulations or such amendment to the Articles of Incorporation.

SECTION 6.02 Termination.

The Company may at any time terminate this Deposit Agreement by instructing the Depositary to mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate this Deposit Agreement if at any time 90 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.04; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. If the definition of "Unit" applies and the Companies Act of Japan or any other applicable Japanese law restricts delivery of Shares other than in a Unit, then a notice of termination sent to Owners shall state that (i) the right of an Owner to surrender American Depositary Shares and receive delivery of the underlying Shares will be subject to those restrictions and (ii) as a consequence of those restrictions and the fact that transfers of American Depositary Shares may not be registered after the termination date, Owners may wish to dispose of American Depositary Shares that do not represent integral Units of Shares prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of

transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges).

At any time after the expiration of four (4) months from the date of termination, the Depositary may sell the Deposited Securities then held under this Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges) and its obligations to the Company under Section 5.08. Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.08 and 5.09.

ARTICLE 7. MISCELLANEOUS

SECTION 7.01 Counterparts.

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodian and shall be open to inspection by any Owner or Holder during business hours.

SECTION 7.02 No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the parties hereto and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person. Nothing in this Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties hereto nor establish a fiduciary or similar relationship among the parties.

SECTION 7.03 Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04 Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of American Depositary Shares or any interest therein.

SECTION 7.05 Notices.

Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail, courier or facsimile transmission or by electronic mail confirmed by letter, addressed to Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome Chuo-ku, Tokyo 103-8668 Japan, Attention: General Manager, Finance and Accounting Department, Facsimile number +81-3-3278-2198, or any other place to which the Company may have transferred its principal office with notice to the Depositary.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if in English and personally delivered or sent by mail, courier or facsimile transmission or by electronic mail confirmed by letter, addressed to The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286, Attention: American Depositary Receipt Administration, Fax number 212-571-3050, or any other place to which the Depositary may have transferred its Corporate Trust Office with notice to the Company.

Any and all notices to be given to any Owner shall be deemed to have been duly given if personally delivered or sent by mail, courier or facsimile transmission or by electronic mail confirmed by letter, addressed to such Owner at the address of such Owner as it appears on the transfer books for American Depositary Shares of the Depositary, or, if such Owner shall have filed with the Depositary a written request that notices intended for such Owner be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail, courier, facsimile transmission or by electronic mail, shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a facsimile transmission or electronic mail) is deposited, postage prepaid, in a post-office letter box. The Depositary or the Company may, however, act upon any facsimile transmission or electronic mail received by it, notwithstanding that such facsimile transmission or electronic mail shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.06 Submission to Jurisdiction; Appointment of Agent for Service of Process; Jury Trial Waiver.

The Company hereby (i) irrevocably designates and appoints the person or entity named in Exhibit A to this Deposit Agreement, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company agrees to deliver, upon the execution and delivery of this Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depositary Shares or Receipts remain outstanding or this Agreement remains in force. In the event the Company fails to continue such designation and appointment in full force and effect, the Company hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT

AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

SECTION 7.07 Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

SECTION 7.08 Governing Law.

This Deposit Agreement and the Receipts shall be interpreted and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York, without regard to conflicts of laws principles thereof, except with respect to its authorization and execution by the Company, which shall be governed by the laws of Japan.

[Signature Page Follows]

IN WITNESS WHEREOF, TAKEDA PHARMACEUTICAL COMPANY LIMITED and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By: _____

Name:

Title:

THE BANK OF NEW YORK MELLON,
as Depositary

By: _____

Name:

Title:

EXHIBIT A

AMERICAN DEPOSITARY SHARES
(Each American Depositary Share represents
One half (1/2) of one deposited Share)

THE BANK OF NEW YORK MELLON
AMERICAN DEPOSITARY RECEIPT
FOR SHARES OF COMMON STOCK
OF
TAKEDA PHARMACEUTICAL COMPANY LIMITED
(INCORPORATED UNDER THE LAWS OF JAPAN)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that _____, or registered assigns IS THE OWNER OF

AMERICAN DEPOSITARY SHARES

representing deposited common stock (herein called "Shares") of Takeda Pharmaceutical Company Limited, a stock company incorporated under the laws of Japan (herein called the "Company"). At the date hereof, each American Depositary Share represents one half (1/2) of one Share deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) at the Tokyo, Japan office of Sumitomo Mitsui Banking Corporation (herein called the "Custodian"). The Depositary's Corporate Trust and its principal executive office are located at 240 Greenwich Street, New York, N.Y. 10286.

THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS
240 GREENWICH STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called "Receipts"), all issued and to be issued upon the terms and conditions set forth in the Amended and Restated Deposit Agreement dated as of _____, 2018 (herein called the "Deposit Agreement") by and among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property, and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Depositary's Corporate Trust Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF RECEIPTS AND WITHDRAWAL OF SHARES.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares, and upon payment of the fee of the Depositary provided in this Receipt, and subject to the terms and conditions of the

Deposit Agreement, the Company's Articles of Incorporation and any other applicable laws and regulation and to the extent delivery can then be practicably made, the Owner of those American Depositary Shares is entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Delivery of such Deposited Securities may be made by the delivery of (a) certificates or account transfer in the name of the Owner hereof or as ordered by him, with proper endorsement or accompanied by proper instruments or instructions of transfer and (b) any other securities, property and cash to which such Owner is then entitled in respect of this Receipt. The Depositary shall direct the Custodian with respect to delivery of Deposited Securities and may charge the surrendering Owner a fee and its expenses for giving that direction by cable (including SWIFT) or facsimile transmission. Such delivery will be made at the option of the Owner hereof, either at the office of the Custodian or at the Corporate Trust Office of the Depositary, provided that the forwarding of certificates for Shares or other Deposited Securities for such delivery at the Corporate Trust Office of the Depositary shall be at the risk and expense of the Owner hereof.

3. TRANSFERS, SPLIT-UPS, AND COMBINATIONS OF RECEIPTS.

Transfers of American Depositary Shares may be registered on the books of the Depositary by the Owner in person or by a duly authorized attorney, upon surrender of those American Depositary Shares properly endorsed for transfer or accompanied by proper instruments of transfer, in the case of a Receipt, or pursuant to a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.09 of the Deposit Agreement), in the case of uncertificated American Depositary Shares, and funds sufficient to pay any applicable transfer taxes and the expenses of the Depositary and upon compliance with such regulations, if any, as the Depositary may establish for such purpose. This Receipt may be split into other such Receipts, or may be combined with other such Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.09 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares. As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of the Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of

dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933, unless a registration statement is in effect as to such Shares or such Shares are exempt from registration thereunder.

4. LIABILITY OF OWNER FOR TAXES.

If any present or future tax or other governmental charge shall become payable with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be the sole responsibility of the Owner of such American Depositary Shares, payable by such Owner to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner shall remain liable for any deficiency.

5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (a) such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and were legally obtained by such person, (b) all preemptive rights (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (c) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the American Depositary Shares issuable upon such deposit will not be, Restricted Securities, (d) the Shares presented for deposit have not been stripped of any rights or entitlements and (e) that the person making such deposit is duly authorized so to do. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of American Depositary Shares in respect thereof and the transfer of such American Depositary Shares. If any such representations or warranties are false in any way with respect to any person depositing Shares under the Deposit Agreement or any Holder or Owner of American Depositary Shares, such person or such Holder or Owner shall be deemed to have waived any claims against the Company and the Depositary related to the consequences thereof and to have assumed sole responsibility therefor and the Company and Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or Holder may be required, and each Holder and Owner agrees, from time to time to provide to the Depositary or the Custodian such proof of citizenship or residence, taxpayer status, exchange control approval, legal or beneficial ownership of such Shares, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem reasonably necessary or proper. The Depositary may withhold the delivery or registration of transfer of American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is provided or such certificates are executed or such representations and warranties made, in each case to the Depositary's and the Company's satisfaction. No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in Japan that is then performing the function of the regulation of currency exchange.

7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the terms of the Deposit Agreement, (3) such cable (including SWIFT) and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02 of the Deposit Agreement, (6) a fee of \$.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.02 of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable, or by selling a portion of any securities to be distributed, to Owners that are obligated to pay those fees.

The Depositary may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make payments to the Company to reimburse the Company for costs and expenses generally arising out of establishment and maintenance of the American Depositary Shares program, waive fees and expenses for services provided by the Depositary or share revenue from the fees collected from Owners or Holders. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

8. DISCLOSURE OF INTERESTS.

The Company may from time to time request Owners to provide information as to the capacity in which such Owners own or owned Receipts and regarding the identity of any other persons then or previously interested in such Receipts and the nature of such interest and various other matters.

Each Owner agrees to provide any information reasonably requested by the Company or the Depositary pursuant to Section 3.04 of the Deposit Agreement. The Depositary agrees to comply with reasonable written instructions received from the Company requesting that the Depositary forward any such requests to the Owners and to forward promptly to the Company any such responses to such requests received by the Depositary.

Notwithstanding any other provision in the Deposit Agreement or any Receipt, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or regulation or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the American Depositary Shares where such transfer may result in the total number of Shares represented by the American Depositary Shares owned by a single Holder or Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of American Depositary Shares, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Owner of the Shares represented by the American Depositary Shares held by such Holder or Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described in Section 3.05 of the Deposit Agreement.

Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Owners, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Owners are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company nor any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

9. TITLE TO RECEIPTS.

It is a condition of this Receipt, and every successive Owner and Holder of this Receipt by accepting or holding the same consents and agrees, that when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares unless that Holder is the Owner of those American Depositary Shares.

10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar.

11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system or at public reference facilities maintained by the Commission in Washington, D.C.

The Depositary will make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary will also, upon written request by the Company, send to Owners copies of such reports when furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities from the Company through the Custodian, the Depositary shall, subject to the provisions of Section 4.05 of the Deposit Agreement, promptly convert or cause to be converted such dividend or distribution into Dollars and shall, without unreasonable delay, distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.09 of the Deposit Agreement) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively; provided, however, that in the event that the Company, the Custodian or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owner of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. Such withheld or deducted amounts shall be forwarded by the Company, the Custodian or the Depositary, as the case may be, to the relevant governmental authority. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto. The Custodian or the Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies.

Subject to the provisions of Sections 4.11 and 5.09 of the Deposit Agreement, whenever the Depositary shall receive any distribution from the Company through the Custodian other than a distribution described in Section 4.01, 4.03 or 4.04 of the Deposit Agreement, the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may reasonably deem equitable and practicable for accomplishing such distribution; provided, however, that if, after consultation with the Company to the extent practicable, the Depositary determines that distribution is not lawful or reasonably practicable for any reason (including, but not limited to, such distribution cannot be made proportionately among the Owners entitled thereto or that such securities must be registered under the Securities Act of 1933 in order to be distributed to Owners), the Depositary shall endeavor to sell or cause such property or securities to be sold in a public or private sale, at such place or places and upon such terms as it may deem proper, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) shall be distributed without unreasonable delay by the Depositary to the Owners entitled thereto, all in the manner and subject to the conditions described in Section 4.01. The Depositary may withhold any distribution of securities under Section 4.02 of the Deposit Agreement if it has not received satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or

private sale, an amount of securities or other property it would otherwise distribute under Section 4.02 of the Deposit Agreement that is sufficient to pay its fees and expenses in respect of that distribution. If the Depositary is unable to sell such property or securities, the Depositary may dispose of such property or securities in any way it deems reasonably practicable under the circumstances. Neither the Depositary nor the Company shall be responsible for (a) any failure to determine whether it is lawful or practicable to make such property or securities available to the Owners nor (b) any foreign exchange exposure or loss incurred in connection with the sale or disposal of such property or securities.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Company so requests in writing, deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and after deduction or upon issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of the Shares received sufficient to pay its fees and expenses in respect of that distribution). The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Shares represented by the aggregate of such fractions by public or private sale (or, if such sale is not possible with respect to any portion of such Shares which is less than a full Unit, by sale of such portion to the Company in accordance with the applicable provisions of the Articles of Incorporation, other similar documents of the Company, Companies Act of Japan and any other Japanese law or regulation) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

Each Owner and Holder agrees to indemnify the Company, the Depositary, the Custodian and their respective directors, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it. Services for Owners and Holders that may permit them to obtain reduced rates of tax withholding at source or reclaim excess tax withheld, and the fees and costs associated with using services of that kind, are not provided under, and are outside the scope of, the Deposit Agreement.

13. RIGHTS.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary shall have reasonable discretion, after consultation with the Company, as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the

Depository may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depository shall allow the rights to lapse. If at the time of the offering of any rights the Depository determines in its discretion, after consultation with the Company, that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depository may distribute to any Owner to whom it determines, in its discretion, after consultation with the Company, the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depository will make such rights available to such Owner upon written notice from the Company to the Depository that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depository has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depository from such Owner to exercise such rights, upon payment by such Owner to the Depository for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depository and any other charges as set forth in such warrants or other instruments, the Depository shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depository on behalf of such Owner. As agent for such Owner, the Depository will cause the Shares so purchased to be deposited pursuant to Section 2.02 of the Deposit Agreement, and shall, pursuant to Section 2.03 of the Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Article 13, such deposit shall be made, and depository shares shall be delivered, under depository arrangements which provide for issuance of depository shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depository determines in its discretion, after consultation with the Company, that it is not lawful or feasible to make such rights available to all or certain Owners, it shall, unless requested by the Company in writing not to, sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depository as provided in Section 5.09 of the Deposit Agreement and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

The Depository will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in the Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depository shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depository may rely that such distribution to such Owner is exempt from such registration.

There can be no assurance that Owners generally, or any Owner in particular, will be given the opportunity to exercise rights on the same terms and conditions as the holders of Shares. Neither the Depository nor the

Company shall be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed without unreasonable delay to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09 of the Deposit Agreement.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable opinion of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the remaining Owners entitled thereto.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to Owners, subject to the Depositary's obligations under Section 5.03 of that Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request

15. RECORD DATES.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever

for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date which shall be the same date as the record date, if any, applicable to the deposited Shares, or as close thereto as practicable (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee assessed by the Depositary pursuant to the Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares, subject to the provisions of the Deposit Agreement.

16. VOTING OF DEPOSITED SECURITIES.

(a) Upon receipt of notice of any meeting of holders of Shares at which holders of Shares will be entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, send to the Owners a notice, the form of which shall be in the sole discretion of the Depositary, that shall contain (i) the information contained in the notice of meeting received by the Depositary, (ii) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Japanese law or regulation and of the Articles of Incorporation or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Shares represented by their respective American Depositary Shares (iii) a statement as to the manner in which those instructions may be given, including an express indication that instructions may be deemed given in accordance with the last sentence of paragraph (b) below, if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company and (iv) the last date on which the Depositary will accept instructions (the "Instruction Cutoff Date").

(b) Upon the written request of an Owner of American Depositary Shares, as of the date of the request or, if a record date was specified by the Depositary, as of that record date, received on or before any Instruction Cutoff Date established by the Depositary, the Depositary may, and if the Depositary sent a notice under the preceding paragraph shall, endeavor, in so far as practicable, to vote or cause to be voted the amount of deposited Shares represented by those American Depositary Shares in accordance with the instructions set forth in that request. So long as under the Articles of Incorporation or other similar documents of the Company and Japanese law or regulation votes may only be cast in respect of one or more whole Units of Shares, (i) the same instructions received from Owners shall be aggregated and the Depositary shall, subject to applicable law or regulation and market practice, endeavor to vote or cause to be voted the number of whole Units in respect of which such instructions as so aggregated have been received, in accordance with such instructions, and (ii) such Owners acknowledge and agree that, if the Depositary has received the same instructions any portion of which, after aggregation of all such instructions, constitutes instructions with respect to less than a whole Unit of Shares, the Depositary will be unable to vote or cause to be voted the Shares to which such portion of the instructions applies. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares other than in accordance with instructions given by Owners and received by the Depositary or as provided in the following sentence. If

(i) the Company instructed the Depositary to send a notice under paragraph (a) above and gave the Depositary notice of the meeting and details of the matters to be voted upon at least 28 days before the meeting date,

(ii) no instructions are received by the Depositary from an Owner with respect to a matter and an amount of American Depositary Shares of that Owner on or before the Instruction Cutoff Date and

(iii) the Depositary has received from the Company, not later than the New York business day following the Instruction Cutoff Date, a written confirmation that, as of the Instruction Cutoff Date, (x) the Company wishes a proxy to be given under this sentence, (y) the Company reasonably does not know of any substantial opposition to the matter and (z) the matter is not materially adverse to the interests of shareholders,

then, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that matter and the amount of deposited Shares represented by that amount of American Depositary Shares and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of deposited Shares as to that matter; provided, however, that no discretionary proxy shall be given with respect to the number of deposited Shares represented by American Depositary Shares held by CREST Depository Limited and represented by CREST depository interests (CDIs).

(c) There can be no assurance that Owners generally or any Owner in particular will receive the notice described in paragraph (a) above in time to enable Owners to give instructions to the Depositary prior to the Instruction Cutoff Date.

(d) If the Company will request the Depositary to send a notice under paragraph (a) above, the Company shall endeavor to give the Depositary at least 28 days' prior notice of any meeting of holders of Shares and the details of the matters to be voted upon, unless such advance notice is not possible because less than 30 days' notice of the meeting has been given in accordance with the Company's Articles of Incorporation and Japanese law, in which case Company will provide to the Depositary such advance notice of the meeting as may be possible under the circumstances.

17. CHANGES AFFECTING DEPOSITED SECURITIES.

Upon any change in nominal value, split-up, consolidation, or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or a Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depositary may, and shall if the Company requests in writing, deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or shall incur any liability to any Owner or Holder (i) if by reason of any provision of any present or future law or regulation of the United States, Japan or any other country, or of any governmental or regulatory authority, or by reason of any provision, present or future, of the Articles of Incorporation or any other similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary or the Company shall be prevented, delayed or forbidden from or be subject to any civil or criminal penalty on account of doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, (iv) for the inability of any Owner or holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or holders, or (v) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.04 of the Deposit Agreement, such distribution or offering may not be made

available to Owners of Receipts, and the Depositary may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depositary shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse. Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or holders, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith, and the Depositary shall not be a fiduciary or have any fiduciary duty to Owners or Holders. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or holder or other person. Neither the Depositary nor the Company shall be liable for any action or non-action by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or holder, or any other person believed by it in good faith to be competent to give such advice or information. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with a matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without negligence or bad faith while it acted as Depositary. The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise. The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or non-action is in good faith. Neither the Depositary nor the Company shall incur any liability for any failure to determine that any distribution or action may be lawful, feasible or reasonably practicable, or for any tax consequences that may result from the ownership of American Depositary Shares or Deposited Securities, for the credit-worthiness of any third party or for allowing any rights to lapse upon the terms of the Deposit Agreement.

No disclaimer of liability under the United States federal securities laws is intended by any provision of the Deposit Agreement.

19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN.

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its resignation delivered to the Company, such resignation to take effect upon the earlier of (i) the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement or (ii) termination by the Depositary pursuant to Section 6.02 of the Deposit Agreement. The Depositary may at any time be removed by the Company by 90 days' prior written notice of such removal, to become effective upon the later of (i) the 90th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary in its discretion may at any time appoint a substitute or additional custodian or custodians.

20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by written agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission delivery expenses or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and Holder of American Depositary Shares, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares

or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body or clearing institution should adopt new laws, rules or regulations which would require amendment of the Deposit Agreement to ensure compliance therewith or any amendment to the Articles of Incorporation of the Company is made that would require amendment of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend the Deposit Agreement and the Receipts at any time in accordance with such changed laws, rules or regulations or such amendment to the Articles of Incorporation. Such amendment to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Owners and Holders or within any other period of time as required for compliance with such laws, rules or regulations or such amendment to the Articles of Incorporation.

21. TERMINATION OF DEPOSIT AGREEMENT.

The Company may terminate the Deposit Agreement by instructing the Depositary to mail notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate the Deposit Agreement, if at any time 90 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in the Deposit Agreement; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. If the definition of "Unit" applies and the Companies Act of Japan or any other applicable Japanese law restricts delivery of Shares other than in a Unit, then a notice of termination sent to Owners shall state that (i) the right of an Owner to surrender American Depositary Shares and receive delivery of the underlying Shares will be subject to those restrictions and (ii) as a consequence of those restrictions and the fact that transfers of American Depositary Shares may not be registered after the termination date, Owners may wish to dispose of American Depositary Shares that do not represent integral Units of Shares prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges) and its obligations to the Company under Section 5.08 of the Deposit Agreement. Upon the termination

of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depository with respect to indemnification, charges, and expenses.

22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.04 of the Deposit Agreement, the parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depository may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depository to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner, to direct the Depository to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depository of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 of the Deposit Agreement shall apply to the matters arising from the use of the DRS. The parties agree that the Depository’s reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depository.

23. SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

In the Deposit Agreement, the Company has (i) appointed Takeda Pharmaceuticals U.S.A., Inc., One Takeda Parkway, Deerfield, Illinois 60015, Attention: President, as the Company’s authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may

at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

24. CHANGE IN UNIT.

The Company agrees that it shall give notice to the Depositary of any proposed amendment to its Articles of Incorporation which would change the number of Shares previously designated as a Unit. Such notice shall be given as far in advance of the date on which such amendment is scheduled to become effective as is practicable under the circumstances.

COLLABORATION AGREEMENT

This **COLLABORATION AGREEMENT** (the “**Agreement**”) is entered into on December 14, 2009 (the “**Effective Date**”) by and between **Seattle Genetics, Inc.**, a Delaware corporation, with its principal place of business at 21823 30th Drive SE, Bothell, WA 98021 (“**SGI**”), and Millennium Pharmaceuticals, Inc., with its principal place of business at 40 Landsdowne Street, Cambridge, MA 02139 (“**MPI**”). SGI and MPI are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties.**”

RECITALS

WHEREAS, SGI is developing a proprietary antibody-drug conjugate product, brentuximab-vedotin, generally referred to as “**SGN-35**”, for the treatment of CD30-positive malignancies, including Hodgkin lymphoma and anaplastic large cell lymphoma, as well as potentially autoimmune diseases;

WHEREAS, MPI possesses substantial resources and expertise in the development, marketing and commercialization of pharmaceutical products; and

WHEREAS, MPI desires to collaborate with SGI on the development of SGN-35, and to obtain exclusive rights to market and commercialize SGN-35 in the Licensed Territory (as defined below), and SGI is willing to so collaborate and to grant such rights on the terms and conditions set forth below.

NOW THEREFORE, in consideration of the foregoing premises and the mutual promises, covenants and conditions contained in this Agreement, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following initially capitalized terms, whether used in the singular or plural form, shall have the meanings set forth in this Article 1.

1.1 “13D Group” has the meaning set forth in Section 15.6(a).

1.2 “Accounting Standard” has the meaning set forth in the definition of “Cost of Goods Sold” in this Article 1.

1.3 “Acquired Party” has the meaning set forth in Section 15.7.

1.4 “Acquisition” has the meaning set forth in Section 15.6(f).

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [***]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.5 “Advertising, Marketing, Medical Affairs and Promotion Expenses” has the meaning set forth in Section 6.3(a).

1.6 “Affiliate” means, with respect to a particular Person, a Person that controls, is controlled by or is under common control with such first Person. For the purposes of this definition, the word “control” (including, with correlative meaning, the terms “controlled by” or “under the common control with”) means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of [***] or more of the voting stock of such entity, or by contract or otherwise. Notwithstanding the foregoing, [***] shall be deemed an Affiliate of [***].

1.7 “Alliance Manager” has the meaning set forth in Section 3.19.

1.8 “Antibody” means an antibody, or fragment thereof, or a molecule that is derived from nucleotide sequences encoding, or amino acid sequences of, any such antibody or fragment.

1.9 “Audited Party” has the meaning set forth in Section 8.11.

1.10 “Auditing Party” has the meaning set forth in Section 8.11.

1.11 “Best Knowledge” means, as applied to SGI, that one or more of SGI’s Chief Executive Officer, Chief Medical Officer, Chief Financial Officer, Chief Business Officer, Executive Vice President, Development, Executive Vice President, Technical Operations, Senior Vice President, Commercial, general counsel, most senior internal intellectual property counsel and Senior Vice President, Regulatory is actually aware (or unaware, as the context may require) of a particular fact or other matter, after reasonable inquiry, but without any duty to conduct any patent searches or obtain any patent opinions that it has not already conducted or obtained in the course of its commercially reasonable intellectual property diligence efforts as of the Effective Date (including any country-specific patent searches or patent opinions in the Licensed Territory).

1.12 “Business Day” means a day other than Saturday or Sunday on which the banks in Seattle, Washington and Boston, Massachusetts are open for business.

1.13 “Buy-In Right” has the meaning set forth in Section 4.7(b).

1.14 “Calendar Quarter” means each successive period of three months commencing January 1, April 1, July 1, and October 1.

1.15 “Calendar Year” means, for the first Calendar Year, the period commencing on the Effective Date and ending on December 31 of the year during which the Effective Date occurs, and each successive period of twelve (12) months commencing on January 1.

1.16 “CD30 Product Activities” has the meaning set forth in Section 9.5(b)(ii).

1.17 “CDA” has the meaning set forth in the definition of “Confidential Information” in this Article 1.

1.18 “Change of Control” means, with respect to a Party, (a) the closing of a merger, tender offer, share exchange, reorganization, consolidation or other similar transaction involving such Party or any of its Affiliates that control (as defined in Section 1.6) such Party in which either its shareholders or the shareholders of such Affiliate immediately prior to such transaction would hold [***] or less of the securities or other ownership or voting interests representing the equity of the surviving or resulting entity immediately after such transaction, or

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(b) the closing of any sale of all or substantially all of the assets of such Party, other than a sale of all or substantially all of the assets of such Party to an entity of which more than [***] of the securities or other ownership or voting interests representing the equity of such entity are owned after such sale by shareholders of such Party in substantially the same proportions as their ownership of such Party immediately prior to such sale.

1.19 “Claims” has the meaning set forth in Section 11.1.

1.20 “CMC” means Chemistry, Manufacturing and Controls.

1.21 “[*]”** means (a) [***], or (b) [***].

1.22 “Commercialization” means all activities, whether undertaken before and/or after obtaining Regulatory Approvals of an MAA or NDA, relating specifically to the pre-launch, launch, promotion, marketing, branding, sales, and distribution of the Licensed Product within the Field, including: (a) strategic marketing, sales force detailing, advertising, medical education and liaison, reimbursement (other than Pricing Approval) and market access activities and market and Licensed Product support; and (b) all customer support, Licensed Product distribution, invoicing and sales activities. For clarity, Commercialization shall exclude any Manufacturing activities. **“Commercialize”** shall have a correlative meaning.

1.23 “Commercially Reasonable Efforts” means, with respect to a Party, the application by or on behalf of such Party [***].

1.24 “Commercial Quality Agreement” has the meaning set forth in Section 7.4.

1.25 “Commercial Supply Agreement” has the meaning set forth in Section 7.4.

1.26 “Completion” has the meaning set forth in Section 2.6(d).

1.27 “Confidential Information” means, with respect to a Party, all Information of such Party or its Affiliates that is disclosed to the other Party under this Agreement, whether in oral, written, graphic, or electronic form (except as provided in Section 12.1). All Information relating to a Licensed Product disclosed by either Party or its Affiliates pursuant to the Non-Disclosure Agreement between SGI and MPI dated [***], as amended, and the [***] between [***], [***] and [***] dated [***] (each, a “CDA” and collectively, the “CDAs”), shall be deemed to be such Party’s Confidential Information disclosed hereunder.

1.28 “Control” means, with respect to a Party and any material, Information, or intellectual property right and with respect to a particular point in time, that such Party or any of its Affiliates owns or has a license to such material, Information, or intellectual property right and has the ability to grant to the other Party access, a license, or a sublicense (as applicable) to such material, Information, or intellectual property right on the terms and conditions set forth herein without violating the terms of any agreement or other arrangement with any Third Party existing at such time.

1.29 “Cost Allocation” has the meaning set forth in Section 8.2(b).

1.30 “Cost of Goods Sold” means, with respect to Licensed Product supplied by a Party to the other Party hereunder, [***]:

(a) The amounts paid by the supplying Party or its Affiliates to a Third Party for (i) [***], and (ii) [***]; and

(b) To the extent not included in subsection (a), [***].

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

For the avoidance of doubt, when calculating Cost of Goods Sold, [***]. For the sake of clarity, (i) [***], and (ii) [***].

1.31 “Develop” or “Development” means the conduct of research, pre-clinical and clinical drug development activities pertaining to a Licensed Product, including toxicology, pharmacology, test method development, stability testing, process development, technology transfer, formulation development, delivery system development, quality assurance and quality control development, statistical analysis, clinical studies (including investigator-sponsored clinical trials, Phase 4 Clinical Trials and any post-approval studies required by the relevant Regulatory Authority), regulatory affairs, pharmacovigilance, Regulatory Approval and Pricing Approval, and clinical study regulatory activities (including regulatory activities directed to obtaining pricing and reimbursement approvals).

1.32 “Developing Party” has the meaning set forth in Section 2.6(d).

1.33 “Development Budget” has the meaning assigned thereto in Section 4.2(a).

1.34 “Distributor” means any Third Party appointed by the relevant Party or its Affiliates, in accordance with such Party’s or its Affiliate’s typical practices for its proprietary products, to distribute, market, and sell Licensed Products, where such Third Party is not granted any right to make or have made or conduct clinical Development of Licensed Products.

1.35 “Dollar” means a U.S. dollar, and “\$” shall be interpreted accordingly.

1.36 “[*]”** has the meaning set forth in Section [***].

1.37 “EMEA” means the European Medicines Agency, or any successor entity thereto.

1.38 “EU” means the countries of the European Union, as its membership may be altered from time to time, and any successor thereto.

1.39 “Executive Officer” means, with respect to SGI, the chief executive officer of SGI (or senior executive designee of such chief executive officer), and, with respect to MPI, the chief executive officer of MPI (or senior executive designee of such chief executive officer).

1.40 “Existing Third Party Agreement” has the meaning set forth in Section 8.6.

1.41 “FDA” means the U.S. Food and Drug Administration, or any successor entity thereto.

1.42 “FD&C Act” means the U.S. Federal Food, Drug, and Cosmetic Act, as amended.

1.43 “Field” means the diagnosis, prevention, control, and/or treatment of any and all therapeutic indications.

1.44 “First [*] Indication”** has the meaning set forth in Section 8.3(e).

1.45 “First Commercial Sale” means the first sale to a Third Party of a Licensed Product in a given regulatory jurisdiction [***] has been obtained in such jurisdiction or, [***], after [***]. For clarity, First Commercial Sale [***].

1.46 “First Opt-In Costs” has the meaning set forth in Section 2.6(d).

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.47 “First Opt-In Point” has the meaning set forth in Section 2.6(d).

1.48 “First Opt-In Right” has the meaning set forth in Section 2.6(d).

1.49 “Force Majeure” has the meaning set forth in Section 15.2.

1.50 “FTE” means the equivalent of a full-time employee of either Party (including normal vacations, sick leave, and other similar matters) to the extent performing scientific, medical, technical, managerial, or other activities (other than patent activities, accounting and other finance activities, and other G&A activities). An FTE charged to either Party shall represent the actual time a full-time employee of such Party spends working on activities assigned to such Party under the Global Product Development Plan or for services provided pursuant to Section 4.2(c), as recorded in such Party’s project time reporting system. For the avoidance of doubt, the time shall be recorded in a manner such that no employee of either Party can report him/herself as more than one (1) FTE in any given month. An FTE is measured on the basis of a total of [***] per [***].

1.51 “FTE Rate” means the rate for an FTE to be charged to the Joint Development Costs for Joint Development activities or for services provided pursuant to Section 4.2(c). The initial FTE rate shall be [***] and [***] beginning [***] based on the [***]. [***].

1.52 “Future Third Party Agreement” means any license agreement entered into between SGI or MPI and any Third Party following the Effective Date pursuant to Section 2.1(f), except as provided as in Section 2.1(f)(iv)(2).

1.53 “Generic Market Data” has the meaning set forth in Section 8.5(c).

1.54 “Generic Product” means a Third Party product (a) [***], and (b) [***]. Notwithstanding the foregoing, [***].

1.55 “Global Product Development Plan” means the plan pursuant to which the Parties will conduct certain collaborative activities relating to the Development of the Licensed Product in the Territory, as further set forth in Section 4.2(a), and includes the relevant Development Budget.

1.56 “Global Regulatory Plan” has the meaning set forth in Section 5.1(a).

1.57 “Good Clinical Practices” or **“GCP”** means the then-current standards, practices and procedures promulgated or endorsed by the FDA as set forth in the guidelines entitled “Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance,” including related regulatory requirements imposed by the FDA.

1.58 “Good Laboratory Practices” or **“GLP”** means the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58.

1.59 “Good Manufacturing Practices” or **“GMP”** means the then-current good manufacturing practices required by the FDA, as set forth in the FD&C Act and the regulations promulgated thereunder, for the manufacture and testing of pharmaceutical materials, and comparable laws or regulations applicable to the manufacture and testing of pharmaceutical materials in jurisdictions outside the U.S., as they may be updated from time to time. Good Manufacturing Practices shall include applicable quality guidelines promulgated under the International Conference on Harmonization (**“ICH”**).

1.60 “Governmental Authority” means any multi-national, federal, state, local, municipal or other government authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

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1.61 “[*] Indication”** has the meaning set forth in Section 8.3(d).

1.62 “ICH” has the meaning set forth in the definition of “Good Manufacturing Practices” in this Article 1.

1.63 “Incremental Activity” has the meaning set forth in Section 4.7(a).

1.64 “IND” means (a) an Investigational New Drug Application as defined in the FD&C Act and applicable regulations promulgated hereunder by the FDA, or (b) the equivalent application to the equivalent agency in any other regulatory jurisdiction outside the U.S., the submission of which is necessary to commence or conduct clinical testing of a pharmaceutical product in humans in such jurisdiction, including a Clinical Trial Authorization (CTA).

1.65 “Indemnified Party” has the meaning set forth in Section 11.3.

1.66 “Indemnifying Party” has the meaning set forth in Section 11.3.

1.67 “Independent Activity” has the meaning set forth in Section 4.7(b).

1.68 “Information” means any data, results, technology, business information and information of any type whatsoever, in any tangible or intangible form, and any tangible materials, including know how, trade secrets, practices, techniques, methods, processes, inventions, developments, specifications, formulations, formulae, materials or compositions of matter of any type or kind (patentable or otherwise) (including biological materials, cell lines and assays), software, algorithms, marketing reports, expertise, technology, test data (including pharmacological, biological, chemical, biochemical, toxicological, preclinical and clinical test data), analytical and quality control data, stability data, other study data and procedures.

1.69 “Initial Global Product Development Plan” has the meaning set forth in Section 4.2(c).

1.70 “Initiation” means, with respect to a given clinical trial, the first dosing of the first person to be dosed pursuant to the protocol for such clinical trial.

1.71 “Japan Development Activities” means those Development activities solely related to Development in Japan or solely required for obtaining Regulatory Approval and Pricing Approval in Japan.

1.72 “Joint Commercialization Committee” or **“JCC”** means the committee formed by the Parties as described in Section 3.9.

1.73 “Joint Development” means the respective activities of each Party to conduct the activities that are included within the Global Product Development Plan.

1.74 “Joint Development Committee” or **“JDC”** means the committee formed by the Parties as described in Section 3.5.

1.75 “Joint Development Costs” means all [***] by a Party or for its account and [***].

1.76 “Joint Inventions” has the meaning set forth in Section 9.1.

1.77 “Joint Manufacturing Committee” or **“JMC”** means the committee formed by the Parties as described in Section 3.13.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.78 “Joint Patent” has the meaning set forth in Section 9.3(c).

1.79 “Joint Results” has the meaning set forth in Section 4.6.

1.80 “Joint Steering Committee” or **“JSC”** means the committee formed by the Parties as described in Section 3.1.

1.81 “Key Country” means each of the following countries: [***].

1.82 “Laws” means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city or other political subdivision, domestic or foreign, including applicable national and international (*e.g.*, ICH, GCP, GLP, and GMP) guidelines.

1.83 “Lead Development Party” has the meaning set forth in Section 4.2(b).

1.84 “Licensed Product” means SGN-35, as described in more detail in **Exhibit D**, including all formulations and dosage forms thereof.

1.85 “Licensed Technology” means, collectively, the SGI Patent Rights, the SGI Know How, SGI’s rights under the SGI Third Party Patent Rights, and SGI’s interest in any Joint Inventions and Joint Patents (to the extent relating to a Licensed Product).

1.86 “Licensed Territory” means the Territory except the SGI Territory.

1.87 “Linker-Conjugate” means one or more [***] or any [***], which [***] or [***] are owned or Controlled by SGI or MPI (or one of their respective Affiliates).

1.88 “Linker-Conjugate Allocation” has the meaning set forth in Section 2.6(d).

1.89 “Major European Countries” means [***].

1.90 “Manufacture” means, with respect to a Licensed Product, those manufacturing-related activities that support the Development (including the seeking and obtaining of Regulatory Approvals) and Commercialization of such Licensed Product, including manufacturing process development and scale-up, validation, qualification and audit of clinical and commercial manufacturing facilities, bulk production, fill/finish work and stability testing, related quality assurance technical support activities and CMC activities, and including, in the case of a clinical or commercial supply of such Licensed Product, the synthesis, manufacturing, processing, formulating, packaging, labeling, holding, quality control testing and release of such Licensed Product. “Manufacturing” has a correlative meaning.

1.91 “Marketing Authorization Application” or **“MAA”** means an application to the appropriate Regulatory Authority for approval to sell the Licensed Product (but excluding Pricing Approval) in any particular jurisdiction outside the U.S.

1.92 “Material Adverse SGI Breach” has the meaning set forth in Section 13.6.

1.93 “Measured Commercial Year” has the meaning set forth in Section 6.3(a).

1.94 “MHLW” means the Ministry of Health, Labour and Welfare in Japan, or any successor entity thereto.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.95 “MPI Collaboration Technology” means the Sole Inventions (other than MPI Drug-Linker Inventions) made by MPI or its Affiliates’ employees, agents, or independent contractors in the course of conducting its activities under this Agreement (to the extent relating to a Licensed Product) (the “**MPI Collaboration Know How**”), together with all Patents claiming such inventions (the “**MPI Collaboration Patent Rights**”). MPI Collaboration Know How includes all Information, and MPI Collaboration Patent Rights includes all Patents, that are [***]. Notwithstanding anything to the contrary set forth in this definition, [***].

1.96 “MPI Drug-Linker Invention” has the meaning set forth in Section 9.1.

1.97 “MPI Indemnitees” has the meaning set forth in Section 11.1.

1.98 “MPI Independent Activities” means Independent Activities undertaken by MPI pursuant to Section 4.7(b).

1.99 “MPI Know How” means MPI Collaboration Know How and MPI Non-Collaboration Know How, collectively.

1.100 “MPI Non-Collaboration Know How” means all Information Controlled by MPI as of the Effective Date or during the Term [***], other than the MPI Collaboration Know How.

1.101 “MPI Non-Collaboration Patent Rights” means all Patents (other than Joint Patents and MPI Collaboration Patent Rights) Controlled by MPI as of the Effective Date or at any time during the Term (a) that claim a [***], the manufacture or use thereof or any other process or method to the extent that such process or method is used by MPI or its Affiliates to [***], or (b) [***].

1.102 “MPI Patent Rights” means MPI Collaboration Patent Rights and MPI Non-Collaboration Patent Rights, collectively.

1.103 “MPI Technology” means the MPI Patent Rights, the MPI Know How, and MPI’s interest in any Joint Inventions and Joint Patents.

1.104 “NDA” means a New Drug Application or Biologics License Application in the United States, as defined in the FD&C Act or United States Public Health Service Act, as applicable, and applicable regulations promulgated thereunder by the FDA, or any successor application thereto.

1.105 “Net Sales” means the [***] of Licensed Products (including [***], subject to the remainder of this Section 1.105) sold or otherwise disposed of for consideration by MPI, its Affiliates, or their respective sublicensees, to independent Third Parties [***]: (a) [***]; (b) [***]; (c) [***]; (d) [***]; and (e) [***]. For the avoidance of doubt, if a single item falls into more than one of the categories set forth in clauses (a) – (e) above, such item shall [***]. For the sake of clarity, a Distributor shall [***].

If MPI, its Affiliates, or their respective sublicensees [***]. For clarity, [***]. In addition, [***]; provided, however that, [***].

If the Licensed Product is sold as part of a [***], the Net Sales from the [***], for the purposes of determining sales milestones and royalties, shall be determined by [***]. If such average sale price cannot be determined for all other [***]. If such average sale price cannot be determined [***]. [***].

1.106 “Non-Commercial Quality Agreement” has the meaning set forth in Section 7.3.

1.107 “Non-Commercial Supply Agreement” has the meaning set forth in Section 7.3.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.108 “Patents” means (a) pending patent applications (including provisional applications) and patents issuing therefrom, issued patents, utility models and designs; and (b) reissues, substitutions, confirmations, registrations, validations, re-examinations, additions, continuations, continued prosecution applications, continuations-in-part, or divisions of or to any patents, patent applications, utility models or designs, in each case applied for or being enforceable within any country in the Territory.

1.109 “Patent Term Extension” means any term extensions, supplementary protection certificates, Regulatory Exclusivity and equivalents thereof offering patent or patent-like protection beyond the initial term with respect to any issued Patents.

1.110 “Person” means a person, corporation, partnership, or other entity.

1.111 “PFMP” has the meaning set forth in Section 7.6(a).

1.112 “Pharmacovigilance Agreement” has the meaning set forth in Section 5.5.

1.113 “Phase 3 Clinical Trial” means one or more clinical trials on sufficient numbers of patients, which trial(s) are designed to (a) establish that a drug is safe and efficacious for its intended use; (b) define warnings, precautions and adverse reactions that are associated with the drug in the dosage range to be prescribed; and (c) support approval of an application to a Regulatory Authority for the commercial sale of such drug.

1.114 “Phase 4 Clinical Trial” means a product support clinical trial of a product that is conducted after receipt of Regulatory Approval of an MAA or NDA in the country where such trial is conducted. A Phase 4 Clinical Trial may include epidemiological studies, modeling and pharmacoeconomic studies and post-marketing surveillance trials.

1.115 “Pricing Approval” means the approval, agreement, determination or governmental decision establishing the price or level of reimbursement for the Licensed Product, as required in a given jurisdiction prior to sale of such Licensed Product in such jurisdiction.

1.116 “Product Complaint” means any written, verbal or electronic expression of dissatisfaction regarding the Licensed Product, including reports of actual or suspected product tampering, contamination, mislabeling or inclusion of improper ingredients.

1.117 “Proof of Activity Study” has the meaning set forth in Section 2.6(d).

1.118 “Regulatory Approvals” means all approvals (including supplements and amendments, [***], licenses, registrations or authorizations of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the Development or Commercialization of a Licensed Product, which may include the approval of a NDA or MAA, and satisfaction of all applicable regulatory and notification requirements.

1.119 “Regulatory Authority” means, in a particular country or jurisdiction, any applicable Governmental Authority involved in granting Regulatory Approval in such country or jurisdiction, including the FDA, the EMEA, and the MHLW.

1.120 “Regulatory Exclusivity” means any exclusive marketing rights or data exclusivity rights conferred by any Governmental Authority with respect to the Licensed Product, but excluding the rights conferred by a Patent.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.121 “Regulatory Materials” means regulatory applications, submissions, notifications, communications, correspondence, registrations, Regulatory Approvals, Pricing Approvals and/or other submissions made to, received from or otherwise conducted with a Regulatory Authority that are necessary or reasonably desirable in order to Develop, Manufacture, market, sell or otherwise Commercialize Licensed Products in a particular country, territory or possession. Regulatory Materials include INDs, MAAs, NDAs and applications for Pricing Approvals.

1.122 “Royalty Term” has the meaning set forth in Section 8.5(f).

1.123 “SEC” has the meaning set forth in Section 12.3(c).

1.124 “[*]”** means any product that contains an Antibody that [***], including such an Antibody that is [***], excluding the Licensed Product. For purposes of [***], one [***] shall be distinct from another (a) [***], or (b) [***]. A particular [***] includes [***].

1.125 “Second Opt-In Costs” has the meaning set forth in Section 2.6(d).

1.126 “Second Opt-In Point” has the meaning set forth in Section 2.6(d).

1.127 “Second Opt-In Right” has the meaning set forth in Section 2.6(d).

1.128 “SGI Bankruptcy Event” means (a) the entry of an order for relief under the U.S. Bankruptcy Code (or any other bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect) by SGI; (b) the commencement of an involuntary proceeding under the U.S. Bankruptcy Code or any other bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect against SGI, if not dismissed, bonded or stayed within ninety (90) days after such commencement; (c) the making by SGI of a general assignment for the benefit of creditors; or (d) the appointment of or taking possession by a receiver, liquidator, assignee, custodian, or trustee of all or substantially all of the business or property of SGI.

1.129 “SGI Indemnitees” has the meaning set forth in Section 11.2.

1.130 “SGI Independent Activities” means Independent Activities undertaken by SGI pursuant to Section 4.7(b).

1.131 “SGI Know How” means all Information Controlled by SGI as of the Effective Date or during the Term that [***]. For clarity, SGI Know-How includes all Information that is [***] (a) [***] (b) a [***] (a) or (b), [***].

1.132 “SGI Linker-Conjugate Technology” means (a) cytotoxic or cytostatic compounds Controlled by SGI, including the composition and methods of making and using such cytotoxic or cytostatic compounds, such as [***], (b) compositions and methods useful for attaching the cytotoxic or cytostatic compounds described in clause (a) to Antibodies, and (c) [***].

1.133 “SGI Manufacturing Period” has the meaning set forth in Section 7.2(a).

1.134 “SGI Patent Rights” means SGI Platform Patent Rights and SGI Product Patent Rights, collectively. The SGI Patent Rights existing as of the Effective Date are listed in **Exhibit A**.

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.135 “SGI Platform Know How” means all Information (other than Joint Inventions) that relates primarily to the SGI Linker-Conjugate Technology.

1.136 “SGI Platform Patent Rights” means all Patents (other than Joint Patents and SGI Third Party Patent Rights) that are Controlled by SGI as of the Effective Date or at any time during the Term that claim SGI Platform Know How or the manufacture or use thereof and that are necessary or useful for the Development, Manufacture, or Commercialization of Licensed Products. SGI Platform Patent Rights includes all Patents that are licensed to SGI or its Affiliates pursuant to a [***]. [***].

1.137 “SGI Product Know How” means all SGI Know How other than SGI Platform Know How.

1.138 “SGI [*]”** means all Patents (other than Joint Patents, SGI Platform Patent Rights and SGI Third Party Patent Rights) Controlled by SGI as of the Effective Date or at any time during the Term (a) that claim a [***] or any other process or method to the extent that such process or method is or was used by SGI or its Affiliates [***], or (b) that [***] if not for the licenses granted hereunder, or in the case of pending patent applications, that, if issued, [***] if not for the licenses granted hereunder. SGI [***] includes all Patents that are licensed to SGI or its Affiliates pursuant to a Future Third Party Agreement entered into by SGI or its Affiliates solely to the extent that such Patents satisfy the first sentence of this definition of SGI [***].[***].

1.139 “SGI Territory” means the U.S., Canada and their respective territories and possessions.

1.140 “SGI Third Party Patent Rights” means those Patents licensed to SGI pursuant to the Existing Third Party Agreements (a) that claim a Licensed Product or the manufacture or use thereof or any other process or method to the extent that such process or method is or was used by SGI or its Affiliates to Manufacture, Develop or Commercialize a Licensed Product, or (b) that would be infringed by the manufacture, use, import, offer for sale or sale of a Licensed Product if not for the licenses granted hereunder would be infringed by the manufacture, use, import, offer for sale or sale of a Licensed Product if not for the licenses granted hereunder. or in the case of pending patent applications, that, if issued, would be infringed by the manufacture, use, import, offer for sale or sale of a Licensed Product if not for the licenses granted hereunder. The SGI Third Party Patent Rights existing as of the Effective Date are listed in **Exhibit A**.

1.141 “Sole Inventions” has the meaning set forth in Section 9.1.

1.142 “SOPs” has the meaning set forth in Section 5.7(b).

1.143 “Standstill Provisions” has the meaning set forth in Section 15.6(c).

1.144 “Supply Negotiation Trigger Date” has the meaning set forth in Section 7.6(a).

1.145 “Supply Price” means, with respect to a unit of Licensed Product, the sum of (a) [***], and (b) [***].

1.146 “Taxes” means taxes (other than income taxes), duties, tariffs or other governmental charges levied on the sale of Products, including consumption and value added taxes.

1.147 “Term” has the meaning set forth in Section 13.1.

1.148 “Terminated Country” means with respect to a termination of this Agreement, the country(ies) subject to such termination, to the extent applicable to terminations by SGI as provided in Section 13.3, or with respect to termination of this Agreement in its entirety, all countries in the Licensed Territory.

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1.149 “**Territory**” means the entire world.

1.150 “**Third Party**” means any Person other than SGI or MPI or an Affiliate of either of them.

1.151 “**Trigger Event**” has the meaning set forth in Section 15.6(e).

1.152 “**U.S.**” means the United States of America and its territories and possessions.

1.153 “**Voting Stock**” has the meaning set forth in Section 15.6(d).

1.154 “**Working Group**” has the meaning set forth in Section 3.18.

ARTICLE 2

LICENSES

2.1 Licenses to MPI.

(a) **Co-Development Activities.** Subject to the terms and conditions of this Agreement, SGI hereby grants MPI and its Affiliates a co-exclusive (with SGI), royalty-free, non-transferable (except in accordance with Section 15.5) license, under the Licensed Technology to Develop, import, and use Licensed Products in the Field solely in accordance with MPI’s rights and responsibilities under the Global Product Development Plan. MPI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.1(a) [***].

(b) **Independent Development Activities.** Subject to the terms and conditions of this Agreement, SGI hereby grants MPI and its Affiliates an exclusive, royalty-free, non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses as provided below, under the Licensed Technology, to undertake, with respect to Licensed Products in the Field, [***] in the Licensed Territory and in the SGI Territory, [***]. MPI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.1(b) to Third Parties.

(c) **Commercialization in Licensed Territory.** Subject to the terms and conditions of this Agreement, SGI hereby grants MPI and its Affiliates an exclusive, royalty-bearing, non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses as provided below, under the Licensed Technology, to distribute, import, sell, offer for sale and otherwise Commercialize Licensed Products in the Field, solely in the Licensed Territory. MPI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.1(c) to Third Parties (including Distributors), subject to Section 2.5(b).

(d) **Manufacturing.** Subject to the terms and conditions of this Agreement, SGI hereby grants MPI and its Affiliates a co-exclusive (with SGI), non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses solely to MPI’s Third Party contract manufacturers or MPI’s sublicensees pursuant to Sections 2.1(b) or 2.1(c), under the Licensed Technology to make, have made, and otherwise Manufacture Licensed Products in the Territory solely (i) for use by MPI and its Affiliates and their respective sublicensees for Development as permitted under this Agreement or for Commercialization in the Licensed Territory, or (ii) for any other obligations of MPI under Article 7.

(e) **Exhibit A.** SGI shall update **Exhibit A** from time to time to reflect the then-current list of SGI Patent Rights and shall use reasonable efforts to update **Exhibit A** from time to time to reflect the then-current list of SGI Third Party Patent Rights; provided, however, that any Patent that otherwise is an SGI Patent Right or an SGI Third Party Patent Right remains so even if it is not listed on **Exhibit A**.

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(f) Sublicensed Rights.

(i) The licenses granted under this Section 2.1 are subject to and limited by the licenses granted, and other obligations owed, by SGI to a Third Party pursuant to the Existing Third Party Agreements and the Future Third Party Agreements. MPI agrees to comply with all applicable terms and conditions of the Existing Third Party Agreements and the Future Third Party Agreements entered into by SGI, [***]. Subject to Section 2.1(f)(iii), SGI agrees to comply with all applicable terms and conditions of the Future Third Party Agreements entered into by MPI. SGI shall notify MPI promptly if SGI breaches an Existing Third Party Agreement or upon receiving any written notice from a counterparty under an Existing Third Party Agreement that alleges that SGI has breached such agreement.

(ii) MPI shall be responsible for paying (A) (i) [***], (ii) [***], and (iii) [***], and (B) [***].

(iii) If a Party identifies any Third Party Information or Patents that may be necessary or useful to Develop, Manufacture or Commercialize the Licensed Product in the Territory, such Party shall promptly notify the other Party thereof and the Parties shall discuss the need for a license to such Information or Patents, taking into consideration any commercial advantages associated with the timing of licensing such Information or Patents, the usefulness or necessity of such Information or Patents to the success of the Development, Manufacture or Commercialization of the Licensed Product and any other factors the Parties deem relevant. If the Parties agree about whether to seek a license to any Third Party Information or Patent, then the Parties shall determine which Party shall have primary responsibility for negotiating any agreement to obtain a license to such Information or Patents. Such responsible Party shall keep the other Party reasonably informed regarding such negotiation, shall allow such other Party to review and comment on any draft received from or provided to the relevant Third Party and shall not enter into any agreement to obtain a license to such Information or Patents, except with such other Party's prior written consent, which shall not be unreasonably withheld, following which such agreement shall be a Future Third Party Agreement hereunder. In addition, the Parties shall reasonably allocate responsibility for paying upfront and maintenance fees, milestones, and other compensation owed to Third Parties pursuant to such Future Third Party Agreements (other than (A) royalties to the extent due as a result of Development, use, manufacture, importation, sale or offering for sale of the Licensed Product in the Licensed Territory by [***], and (B) royalties to the extent due as a result of Development, use, manufacture, importation, sale or offering for sale of the Licensed Product in the SGI Territory by SGI, its Affiliates or their respective (sub)licensees, [***]. Such allocation shall take into account the relative value that the intellectual property licensed under the applicable Future Third Party Agreement [***]. The Parties shall cooperate and provide such exchange of information as reasonably necessary with respect thereto. Each Future Third Party Agreement entered into by a Party shall include the obligation for the counterparty thereto to provide the other Party with written notice of any alleged breach by the contracting Party of any provisions thereunder and the right for the other Party, in such other Party's sole discretion, to cure such breach, provided that the contracting Party shall have the first opportunity to cure such breach and such other Party provides the contracting Party with [***] written notice that it intends to cure such breach, or such shorter written notice period that may be necessary under the circumstances to avoid any material loss of rights. Each Party shall use commercially reasonable efforts to maintain any Future Third Party Agreement entered into by such Party or its Affiliate in full force and effect during the Term and will not amend any such agreement in a manner that would materially adversely affect the rights and obligations of the other Party under this Agreement, except with such other Party's prior written consent.

(iv) If the Parties disagree about whether to seek a license to any Third Party Information or Patent and are unable to resolve these differences after reasonable attempts to do so, then such dispute shall be resolved in accordance with Article 14; [***].

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(1) If the decision of such [***] is that such Third Party Information or Patent [***], the Parties shall be [***] and any license agreement with respect to such Third Party Information or Patent shall [***].

(2) If the decision of such [***] is that such Third Party Information or Patent [***], either Party [***] (A) [***] (B) [***] and the agreement with respect to such Third Party Information or Patent shall [***].

(3) The Parties acknowledge and agree that such [***] may determine that such Third Party Information or Patent is [***]. As a result, the Parties agree that clauses (1) and (2) above shall be applied in an [***] consistent with such determination, including, if necessary, by applying clauses (1) and (2) to [***].

(v) Subject to the next-to-last sentence of Section 2.1(f)(iii), [***].

(g) Certain Understandings Regarding Future IP Rights. Both Parties have agreed that the licenses granted by SGI to MPI and its Affiliates under any SGI Know How, SGI Patent Rights, Joint Inventions, or Joint Patents that are developed after the Effective Date (collectively, “Future Intellectual Property”) are not intended to, and shall not, create (i) future performance obligations of SGI to develop any such Future Intellectual Property or (ii) a right of MPI to cause any of the consideration otherwise paid or to be paid by MPI to SGI to be refunded or diminished if no Future Intellectual Property is so developed. Notwithstanding the preceding sentence, this Section 2.1(g) shall in no way diminish those obligations of SGI that are otherwise explicitly provided for in this Agreement, including SGI’s Development obligations under the Global Product Development Plan, as provided for in Article 4, and SGI’s Manufacturing obligations during the SGI Manufacturing Period, as provided for in Article 7.

2.2 Licenses to SGI.

(a) Co-Development Activities. Subject to the terms and conditions of this Agreement, MPI hereby grants SGI and its Affiliates a co-exclusive (with MPI), royalty-free, non-transferable (except in accordance with Section 15.5) license, under the MPI Collaboration Technology, to Develop, import, and use Licensed Products in the Field solely in accordance with SGI’s responsibilities under the Global Product Development Plan. SGI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.2(a) solely to those Third Party contractors (i) that are [***] (ii) that are approved [***].

(b) Independent Development Activities. Subject to the terms and conditions of this Agreement, MPI hereby grants SGI and its Affiliates an exclusive, royalty-free, non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses as provided below, under the MPI Collaboration Technology, to undertake, with respect to Licensed Products in the Field, [***] in the SGI Territory and in the Licensed Territory, [***] SGI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.2(b) to Third Parties, subject to Section 2.5(a).

(c) Commercialization in SGI Territory. Subject to the terms and conditions of this Agreement, MPI hereby grants SGI and its Affiliates a non-exclusive, royalty-free, non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses as provided below, under the MPI Collaboration Technology to distribute, import, sell, offer for sale and otherwise Commercialize Licensed Products in the Field, solely in the SGI Territory. SGI and its Affiliates shall be permitted to sublicense the license granted under this Section 2.2(c) to Third Parties (including Distributors), subject to Section 2.5(a).

(d) Manufacturing. Subject to the terms and conditions of this Agreement, MPI hereby grants SGI and its Affiliates a co-exclusive (with MPI), non-transferable (except in accordance with Section 15.5) license, with the right to grant sublicenses solely to SGI’s Third Party contract manufacturers or SGI’s sublicensees pursuant to Sections 2.2(b) or 2.2(c) (subject to Section 2.5(a)), under the MPI Collaboration Technology to

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make, have made, and otherwise Manufacture Licensed Products in the Territory solely (i) for use by SGI and its Affiliates and their respective sublicensees for Development as permitted under this Agreement or for Commercialization in the SGI Territory; or (ii) for any other obligations of SGI under Article 7.

(e) Covenant Not to Sue. MPI hereby covenants, on behalf of itself and its Affiliates, not to sue or otherwise bring a claim against SGI or its Affiliates, or the other Persons specified in the following sentence, during the Term, to the extent that their conducting of the following activities infringes any MPI Non-Collaboration Technology: (i) Development, importation, and use of Licensed Products in the Field solely in accordance with SGI's responsibilities under the Global Product Development Plan, (ii) undertaking, with respect to Licensed Products in the Field, [***] and in the [***], (iii) distribution, importation, sale, offer for sale and other Commercialization of Licensed Products in the Field, solely in the SGI Territory, (iv) making, having made, and otherwise Manufacturing Licensed Products in the Territory solely (A) for Development and Commercialization in the SGI Territory; or (B) for any other obligations of SGI under Article 7. In addition to SGI and its Affiliates, such covenant shall extend as follows: clause (i) shall extend solely to those Third Party contractors (y) [***] or (z) [***]; clause (ii) shall extend to Third Parties to whom SGI has granted sublicenses pursuant to Section 2.2(b), subject to Section 2.5(a); clause (iii) shall extend to Third Parties to whom SGI or its Affiliates has granted sublicenses pursuant to Section 2.2(c), including Distributors, in each case subject to Section 2.5(a), and to any customers who purchase or otherwise receive Licensed Product from SGI, its Affiliates, or any such Third Parties; and clause (iv) shall extend solely to SGI's Third Party contract manufacturers and SGI's sublicensees pursuant to Sections 2.2(b) or 2.2(c) (subject to Section 2.5(a)) with respect to the Licensed Product.

2.3 No Implied License; Negative Covenant. Except as expressly provided herein, no rights, express or implied, to any intellectual property of a Party are granted to the other Party. In addition, neither Party shall use or practice any of the other Party's intellectual property rights licensed to it under this Article 2 (or that are the subject of a covenant not to sue granted under this Agreement) except for the purposes expressly permitted in this Agreement.

2.4 Territorial Limitations. Each Party hereby covenants and agrees that it and its Affiliates shall not, either directly or indirectly, Commercialize Licensed Products except in accordance with this Agreement. Specifically and without limitation, MPI shall not deliver or tender (or cause to be delivered or tendered) any Licensed Product outside of the Licensed Territory or offer for sale any Licensed Product that could reasonably be expected to be reimported into the SGI Territory. SGI shall not deliver or tender (or cause to be delivered or tendered) any Licensed Product outside of the SGI Territory or offer for sale any Licensed Product that could reasonably be expected to be reimported into the Licensed Territory.

2.5 [*].**

(a) If SGI determines to, directly or indirectly, [***] to the Licensed Product not licensed to MPI under this Agreement, including [***], to any Third Party [***], then SGI shall promptly provide MPI with written notice of such determination. Provided that MPI notifies SGI in writing, no later than [***] after receiving such notice from SGI, [***] from SGI's receipt of such notice from MPI. During such period, the Parties will [***]. If (i) MPI fails to notify SGI of its [***], or (ii) MPI notifies SGI [***], or (iii) no [***] of such rights [***] provided above, then SGI will [***] following the expiration of the above-mentioned [***] negotiation period. If SGI does not [***] period, then SGI shall be [***]. For clarity, the [***] granted to MPI under this Section 2.5(a) shall not apply to any [***].

(b) If MPI determines to, directly or indirectly, [***] the Licensed Product in a [***], to any Third Party [***] then MPI shall promptly provide SGI with written notice of such determination. Provided that SGI notifies MPI in writing, no later than [***] after receiving such notice from MPI, indicating that [***]

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from MPI's receipt of such notice from SGI. During such period, the Parties will [***]. If (i) SGI fails to notify MPI of [***], or (iii) [***] period following the expiration of the above-mentioned [***]. If MPI does not [***] period, then MPI shall [***]. For clarity, the granted to SGI under this Section 2.5(b) shall not apply to [***].

2.6 [***].

(a) If a Party or one of its Affiliates plans to conduct, in-license or otherwise acquire rights with respect to, or license to a Third Party the right to conduct, IND-enabling research, development or commercialization of a [***] in the Field, it shall provide written notice thereof to the other Party (which notice shall include a summary [***] (as applicable to the stage of the [***]) prepared in good faith) and the Parties shall discuss the [***].

(b) Upon request of the non-proposing Party, the non-proposing Party may conduct due diligence on the applicable [***] for up to [***] after its receipt of the summary described in Section 2.6(a), and the proposing Party shall reasonably cooperate with the non-proposing Party with respect to such [***] activities. Upon further request of the non-proposing Party, the Parties shall [***] in the Field, subject to Section 2.6(c); provided, however, that such terms shall include the following:

(i) the Parties will [***] (and not pursuant to Section 2.6(d)(ii) or 2.6(d)(iii)), the non-proposing Party will [***]. For the sake of clarity, [***];

(ii) [***];

(iii) if a Licensed Product is then being Commercialized in the SGI Territory or Licensed Territory under this Agreement, [***];

(iv) for any indications and/or territories not covered by clause (iii) above, the commercial responsibilities of the Parties will be allocated by the Parties [***];

(v) [***]; and

(vi) the Parties shall have audit rights comparable to those in this Agreement with respect to [***].

(c) If, within [***] after the non-proposing Party's receipt of the summary described in Section 2.6(a), the non-proposing Party requests in writing a negotiation of the terms under which the Parties would collaborate on the research, development, and/or commercialization of the [***] in the Field, as contemplated by Section 2.6(b), then the Parties shall negotiate a definitive written agreement on the terms set forth in Section 2.6(b)(i) through (vi) and other terms to be negotiated by the Parties in good faith. If, [***] after the non-proposing Party's receipt of the summary described in Section 2.6(a) [***], the Parties do not enter into such a [***].

(d) If, [***] after the non-proposing Party's receipt of the summary described in Section 2.6(a), the non-proposing Party fails to request in writing a negotiation of the terms under which the Parties would collaborate on the [***] in the Field, as contemplated by Section 2.6(b), then the proposing Party (the "Developing Party") shall be free to [***]:

(i) The other Party shall grant to the Developing Party licenses and/or covenants not to sue comparable to those set forth in Section 2.1 or 2.2, as applicable, adjusted as necessary to reflect any distinctions with respect to such [***] and the worldwide nature of such license, and, to the extent that the [***] by such other Party or its Affiliates, the other Party shall provide reasonable assistance to the Developing Party with respect to the development and manufacture of such [***], in accordance with a transition plan to be agreed upon by the Parties in good faith, with the Developing Party [***].

(ii) At the time [***] with respect to such [***], the non-Developing Party shall have the [***], subject to the terms set forth below. At the [***], the Developing Party shall provide to the other Party

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a summary [***], and shall reasonably answer the non-Developing Party's questions with respect thereto, including, if applicable, providing additional information if reasonably necessary for the non-Developing Party to decide whether to [***]. If, within [***], the non-Developing Party notifies the Developing Party of its decision to [***], the Developing Party shall promptly disclose to the non-Developing Party, in reasonable detail, [***]. Thereafter, the Parties [***] on the terms set forth in Section 2.6(b)(i) through (vi) and other terms to be negotiated by the Parties in good faith, [***] of the [***]. The "[***]" means, with respect to the relevant [***]. If, within [***] after the non-Developing Party's exercise of its [***], the Parties do [***] setting forth the terms under which the Parties will [***], then the terms of such definitive written agreement shall be determined by arbitration in accordance with Section 2.6(e).

(iii) If the non-Developing Party does not exercise its [***] provided above, or if the applicable [***] was, at the time the Developing Party acquired rights to the [***], beyond the [***], then at the time of [***], the non-Developing Party shall have the right to elect to participate in the further development, manufacture and commercialization of such [***], subject to the terms set forth below. At the Second Opt-In Point, the Developing Party shall provide to the other Party a summary of all clinical data with respect to such [***], as applicable, and shall reasonably answer the non-Developing Party's questions with respect thereto, including, if applicable, providing additional information if reasonably necessary for the non-Developing Party to decide whether to exercise its [***]. If, within [***] after Completion [***], the non-Developing Party notifies the Developing Party of its decision to exercise its [***], the Developing Party shall promptly disclose to the non-Developing Party, in reasonable detail, the total amounts then-expended by the Developing Party in connection with the research and development of such [***] (for the sake of clarity, [***]). Thereafter, the Parties shall negotiate in good faith the terms of a [***] and other terms to be negotiated by the Parties in good faith, [***]. [***]. The Parties agree that the [***] include the activities covered by the [***], but the amounts included in the [***] for those activities included in the written notice provided to the non-Developing Party by the Developing Party pursuant to Section 2.6(d)(ii) shall not [***]. [***]. [***] after the non-Developing Party's exercise of its [***] do not enter into a [***].

(iv) If the non-Developing Party does not exercise its [***] within the [***] provided above, or if the applicable [***] was, at the time the Developing Party acquired rights to the [***], beyond the [***], then (provided that Developing Party has fully complied with the terms of Sections 2.6(a) and (b) (and Sections 2.6(c) and (d), if applicable)) [***].

(e) Any arbitration proceedings required by Section 2.6(c), 2.6(d)(ii), or 2.6(d)(iii) shall be conducted through [***]. Each Party would present the arbitrator with [***] (and to the extent applicable, the [***]) and a written summary of its rationale for any key terms (such summary not to exceed five (5) pages), and the arbitrator shall have the [***]. The foregoing [***] shall not take longer than [***] from the date of submission of the positions to the arbitrator. Each Party shall [***].

ARTICLE 3

OVERVIEW; MANAGEMENT

3.1 Joint Steering Committee. Within [***] after the Effective Date, the Parties shall establish a Joint Steering Committee (or "JSC") for the overall coordination and oversight of the Parties' activities under this Agreement. The JSC shall have an initial term of [***] and [***] unless one of the Parties provides written notice to the other Party at least [***]. The JSC shall have only the powers assigned expressly to it in this Section 3.1 and elsewhere in this Agreement, and the JSC shall not have any power to amend, modify or waive compliance with this Agreement. The JSC shall conduct its discussions in good faith with a view to operating to

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the mutual benefit of the Parties and in furtherance of the successful Development and Commercialization of Licensed Products. The role of the JSC shall be:

- (a) to oversee the collaborative activities of the Parties under this Agreement;
- (b) to discuss and establish, with input from the JDC, the overall strategy for the Development of Licensed Products in the Field and the content of the core global label for Licensed Products;
- (c) to discuss and establish, with input from the JCC, the overall strategy for the branding and Commercialization of Licensed Products in the Field;
- (d) to review and approve updates or amendments to the Initial Global Product Development Plan and any subsequent versions of the Global Product Development Plan;
- (e) to review and approve updates or amendments to the Global Regulatory Plan and any subsequent versions of the Global Regulatory Plan;
- (f) to review and coordinate the Parties' respective activities for the Development, Manufacture and Commercialization of Licensed Products within the Licensed Territory and the SGI Territory, including Independent Activities;
- (g) to oversee, and attempt to resolve disputes arising on, the JDC, JCC, JMC or any other subcommittee;
- (h) to appoint other subcommittees as the JSC deems appropriate, which subcommittees shall consist of equal numbers of appropriately qualified representatives appointed by the respective Parties, and to oversee, and attempt to resolve disputes arising on, such subcommittees; and
- (i) to perform such other functions as appropriate to further the purposes of this Agreement, as mutually determined by the Parties.

3.2 Joint Steering Committee Membership. Each Party shall initially appoint [***] to the JSC, each of whom will be an officer or employee of such Party and will have sufficient seniority within the applicable Party to make decisions arising within the scope of the JSC's responsibilities and will have appropriate expertise in clinical development, regulatory, and/or commercial/business matters. The JSC may change its size from time to time by mutual consent of its members. Each Party may replace its JSC representatives at any time upon written notice to the other Party. The JSC may invite non-members (including consultants and advisors of a Party) who are under an obligation of confidentiality consistent with this Agreement to participate in the discussions and meetings of the JSC, provided that such participants shall have no voting authority at the JSC. The JSC shall have a chairperson. Each Party shall have the right, on an [***] basis, to select from among its JSC representatives [***]. Such Party shall have the right during [***]. The [***]. The role of the chairperson shall be to convene and preside at meetings of the JSC, to prepare agendas (with due input from the other Party's representatives), circulate agendas and to ensure the preparation of meeting minutes, but the chairperson shall have no additional powers or rights beyond those held by the other JSC representatives.

3.3 Joint Steering Committee Meetings. The JSC shall meet as frequently as required, but in no event less than [***]. The meetings of the JSC may be held in person or by audio or video conference, with in person meetings taking place at least [***] and alternating between the Parties' business locations or as otherwise decided by the JSC. Meetings of the JSC shall be effective only if at least [***] of each Party are present or participating. Each Party shall [***] of its respective members' participation in JSC meetings. The chairperson of the JSC shall be responsible for preparing and issuing minutes of each such meeting within fifteen (15) days thereafter. Such minutes shall not be finalized until each Party reviews and confirms the accuracy of such minutes in writing; provided that any minutes shall be deemed approved unless a member of the JSC objects to the accuracy of such minutes within thirty (30) days after the circulation of the minutes by the chairperson of the JSC.

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3.4 Joint Steering Committee Decisions. Actions to be taken by the JSC shall be taken only following [***] vote, with each Party having [***]. If the Joint Steering Committee fails to reach [***] on a matter before it for decision for a period in excess of [***], the JSC shall submit the respective positions of the Parties with respect to such matter for discussion in good faith by the Parties' respective Executive Officers in accordance with Section 14.2. If such individuals are not able to mutually agree upon the resolution to such matter within the timeframe set forth in such Section 14.2, then instead of resolution in accordance with Section 14.3:

- (a) [***] with regard to matters relating primarily to the Development, Regulatory Approval, Pricing Approval or Commercialization of Licensed Products in the Field in the [***];
- (b) [***] with regard to matters relating primarily to the Development, Regulatory Approval, Pricing Approval or Commercialization of Licensed Products in the Field in the [***]; and
- (c) Matters not subject to Sections 3.4(a) or 3.4(b) ([***]) shall be subject to the dispute resolution procedure set forth in Article 14, beginning with the referral of such matters to the mediation as set forth in Section 14.3.

Notwithstanding the foregoing, neither Party may exercise its final decision-making authority to unilaterally:

- (i) increase the other Party's obligations or reduce the other Party's rights under this Agreement, including any obligation to devote personnel or financial resources to a specific activity or project;
- (ii) [***];
- (iii) increase the Joint Development Costs for the other Party except as expressly provided herein;
- (iv) determine that the events required for payments have occurred;
- (v) determine that it has fulfilled any obligations under this Agreement or that the other Party has breached any obligation under this Agreement;
- (vi) unilaterally make a decision that is expressly stated under this Agreement to require the mutual agreement of the Parties; or
- (vii) otherwise expand such Party's rights or reduce such Party's obligations under this Agreement.

3.5 Joint Development Committee. Within [***] after the Effective Date, the Parties shall establish a Joint Development Committee (or "JDC") as a subcommittee of the JSC. The JDC shall have an initial term of [***] and [***] terms unless one of the Parties provides written notice to the other Party at least [***]. The JDC shall have only the powers assigned expressly to it in this Section 3.5 and elsewhere in this Agreement, and the JDC shall not have any power to amend, modify or waive compliance with this Agreement. The JDC shall conduct its discussions in good faith with a view to operating to the mutual benefit of the Parties and in furtherance of the successful Development of Licensed Products. The role of the JDC shall be to:

- (a) discuss, prepare and approve for submission to the JSC all updates or amendments to the Global Product Development Plan;
- (b) oversee the conduct of the Joint Development under this Agreement;
- (c) create, implement and review the overall strategy for Development and the design of all clinical trials conducted under the Global Product Development Plan;
- (d) oversee the conduct of all clinical trials conducted under the Global Product Development Plan;
- (e) coordinate the use of clinical trial sites by the Parties for clinical trials for Licensed Product, whether conducted under the Global Product Development Plan or as Independent Activities;

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(f) facilitate the flow of information between the Parties with respect to the Development of the Licensed Product;

(g) discuss the requirements for Regulatory Approval in the Territory and review the regulatory strategy with respect to the Licensed Product;

(h) facilitate the flow of information between the Parties with respect obtaining Regulatory Approval for the Licensed Product; and

(i) perform such other functions as appropriate to further the purposes of this Agreement, as mutually determined by the Parties.

3.6 Joint Development Committee Membership. Each Party shall initially appoint [***] representatives to the JDC, each of whom will be an officer or employee of such Party and will have sufficient seniority within the applicable Party to make decisions arising within the scope of the JDC's responsibilities and will have appropriate expertise in clinical development or regulatory matters. The JDC may change its size from [***] by [***] of its members. Each Party may replace its JDC representatives at any time upon written notice to the other Party. The JDC may invite non-members (including consultants and advisors of a Party) who are under an obligation of confidentiality consistent with this Agreement to participate in the discussions and meetings of the JDC, provided that such participants shall have no voting authority at the JDC. The JDC shall have a chairperson. Each Party shall have the right, on an [***] basis, to select from among its JDC representatives a [***]. Such Party shall have the right during such [***]. [***]. The role of the chairperson shall be to convene and preside at meetings of the JDC, to prepare agendas (with due input from the other Party's representatives), circulate agendas and to ensure the preparation of meeting minutes, but the chairperson shall have no additional powers or rights beyond those held by the other JDC representatives.

3.7 Joint Development Committee Meetings. The JDC shall meet as frequently as required, but in no event less than [***] every [***]. The meetings of the JDC may be held in person or by audio or video conference, with in person meetings taking place at least once per [***] and alternating between the Parties' business locations or as otherwise decided by the JDC. Meetings of the JDC shall be effective only if at least [***] representatives of each Party are present or participating. Each Party shall [***] of its respective members' participation in JDC meetings. The chairperson of the JDC shall be responsible for preparing and issuing minutes of each such meeting within fifteen (15) days thereafter. Such minutes shall not be finalized until each Party reviews and confirms the accuracy of such minutes in writing; provided that any minutes shall be deemed approved unless a member of the JDC objects to the accuracy of such minutes within thirty (30) days after the circulation of the minutes by the chairperson of the JDC.

3.8 Joint Development Committee Decisions. Actions to be taken by the JDC shall be taken only following [***], with each Party having [***] vote. If the JDC fails to reach [***] on a matter before it for decision for a period in excess of [***], the JDC shall submit the respective positions of the Parties with respect to such matter for resolution by the JSC.

3.9 Joint Commercialization Committee. Within [***] after the Effective Date, the Parties shall establish a Joint Commercialization Committee (or "JCC") as a subcommittee of the JSC. The JCC shall have an initial term of [***] and shall [***] for successive [***]. The JCC shall have only the powers assigned expressly to it in this Section 3.9 and elsewhere in this Agreement, and the JCC shall not have any power to amend, modify or waive compliance with this Agreement. The JCC shall conduct its discussions in good faith with a view to operating to the mutual benefit of the Parties and in furtherance of the successful Commercialization of Licensed Products. The role of the JCC shall be to:

(a) review, discuss and coordinate the Commercialization activities of the Parties with respect to the Licensed Products in the Parties' respective territories;

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(b) develop, update and annually approve a global plan for Commercializing the Licensed Product, which plan shall include the strategy for the Commercialization of the Licensed Product on a worldwide basis, certain shared global Commercialization activities (i.e., [***]), and, subject to mutual written agreement of the Parties, the appropriate allocation of responsibilities and, if applicable, [***] for such activities;

(c) oversee the implementation of the global plans for the branding and Commercialization of the Licensed Product and ensure consistency with the global plan for Commercialization of the Licensed Product;

(d) review and discuss [***] and developments with regards to the Licensed Product, as described in Section 6.5, and establish a strategy for obtaining Pricing Approvals for the Licensed Product;

(e) facilitate the sharing of information between the Parties as necessary to support the Commercialization of the Licensed Product; and

(f) perform such other functions as appropriate to further the purposes of this Agreement, as mutually determined by the Parties.

3.10 Joint Commercialization Committee Membership. Each Party shall initially appoint [***] representatives to the JCC, each of whom will be an officer or employee of such Party and will have sufficient seniority within the applicable Party to make decisions arising within the scope of the JCC's responsibilities and will have appropriate expertise in clinical development, regulatory, and/or commercial/business matters. The JCC may change its size from [***] by [***] of its members. Each Party may replace its JCC representatives at any time upon written notice to the other Party. The JCC may invite non-members (including consultants and advisors of a Party) who are under an obligation of confidentiality consistent with this Agreement to participate in the discussions and meetings of the JCC, provided that such participants shall have no voting authority at the JCC. The JCC shall have a chairperson. Each Party shall have the right, on an [***] basis, to select from among its JCC representatives [***]. Such Party shall have the right during such [***]. [***]. The role of the chairperson shall be to convene and preside at meetings of the JCC, to prepare agendas (with due input from the other Party's representatives), circulate agendas and to ensure the preparation of meeting minutes, but the chairperson shall have no additional powers or rights beyond those held by the other JCC representatives.

3.11 Joint Commercialization Committee Meetings. The JCC shall meet as frequently as required, but in no event less than [***] meeting every [***]. The meetings of the JCC may be held in person or by audio or video conference, with in person meetings taking place at least [***] per [***] and alternating between the Parties' business locations or as otherwise decided by the JCC. Meetings of the JCC shall be effective only if at least [***] representatives of each Party are present or participating. Each Party shall [***] of its respective members' participation in JCC meetings. The chairperson of the JCC shall be responsible for preparing and issuing minutes of each such meeting within fifteen (15) days thereafter. Such minutes shall not be finalized until each Party reviews and confirms the accuracy of such minutes in writing; provided that any minutes shall be deemed approved unless a member of the JCC objects to the accuracy of such minutes within thirty (30) days after the circulation of the minutes by the chairperson of the JCC.

3.12 Joint Commercialization Committee Decisions. Actions to be taken by the JCC shall be taken only following [***], with each Party having [***] vote. If the JCC fails to reach [***] on a matter before it for decision for a period in excess of [***], the JCC shall submit the respective positions of the Parties with respect to such matter for resolution by the JSC.

3.13 Joint Manufacturing Committee. Within [***] after the Effective Date, the Parties shall establish a Joint Manufacturing Committee (or "JMC") as a subcommittee of the JSC. The JMC shall have an initial term

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of [***] and shall [***] for successive [***]. The JMC shall have only the powers assigned expressly to it in this Section 3.13 and elsewhere in this Agreement, and the JMC shall not have any power to amend, modify or waive compliance with this Agreement. The JMC shall conduct its discussions in good faith with a view to operating to the mutual benefit of the Parties and in furtherance of the successful Manufacture, Development and Commercialization of Licensed Products. The role of the JMC shall be to:

(a) oversee the conduct of the Manufacturing of the Licensed Product by or on behalf of SGI and MPI under this Agreement, the Non-Commercial Supply Agreement and the Commercial Supply Agreement;

(b) develop, update and annually approve a global plan for Manufacturing the Licensed Product, which plan shall include the strategy for the Manufacturing of the Licensed Product on a worldwide basis, and may include certain shared global Manufacturing activities (i.e., activities that benefit the Licensed Product in both the SGI Territory and the Licensed Territory, including such activities that relate to further process development, quality control release testing and quality assurance disposition, and inventory management, and, subject to mutual written agreement of the Parties, the appropriate allocation of responsibilities and, if applicable, [***]);

(c) facilitate the sharing of information between the Parties as necessary to support the Manufacturing of the Licensed Product;

(d) oversee the implementation of the global plans for the Manufacturing of the Licensed Product and the introduction of second sourcing and/or Manufacturing process improvements for the Licensed Product; and

(e) perform such other functions as appropriate to further the purposes of this Agreement, as mutually determined by the Parties.

3.14 Joint Manufacturing Committee Membership. Each Party shall initially appoint [***] representatives to the JMC, each of whom will be an officer or employee of such Party and will have sufficient seniority within the applicable Party to make decisions arising within the scope of the JMC's responsibilities and will have appropriate expertise in manufacturing matters. The JMC may change its size from [***] by [***] of its members. Each Party may replace its JMC representatives at any time upon written notice to the other Party. The JMC may invite non-members (including consultants and advisors of a Party) who are under an obligation of confidentiality consistent with this Agreement to participate in the discussions and meetings of the JMC, provided that such participants shall have no voting authority at the JMC. The JMC shall have a chairperson. Each Party shall have the right, on an alternating [***]. Such Party shall have the right during such [***]. [***]. The role of the chairperson shall be to convene and preside at meetings of the JMC, to prepare agendas (with due input from the other Party's representatives), circulate agendas and to ensure the preparation of meeting minutes, but the chairperson shall have no additional powers or rights beyond those held by the other JMC representatives.

3.15 Joint Manufacturing Committee Meetings. The JMC shall meet as frequently as required, but in no event less than [***] meeting every [***]. The meetings of the JMC may be held in person or by audio or video conference, with in person meetings taking place at least [***] per [***] and alternating between the Parties' business locations or as otherwise decided by the JMC. Meetings of the JMC shall be effective only if at least [***] representatives of each Party are present or participating.

Each Party shall [***] of its respective members' participation in JMC meetings. The chairperson of the JMC shall be responsible for preparing and issuing minutes of each such meeting within [***] thereafter. Such minutes shall not be finalized until each Party reviews and confirms the accuracy of such minutes in writing; provided that any minutes shall be deemed approved unless a member of the JMC objects to the accuracy of such minutes within [***] after the circulation of the minutes by the chairperson of the JMC.

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3.16 Joint Manufacturing Committee Decisions. Actions to be taken by the JMC shall be taken only following [***], with each Party having [***] vote. If the JMC fails to reach [***] on a matter before it for decision for a period in excess of [***], the JMC shall submit the respective positions of the Parties with respect to such matter for resolution by the JSC.

3.17 [*].**

3.18 Working Groups. From time to time, the JDC, JCC and JMC may establish working groups (each, a “**Working Group**”) to oversee particular projects or activities, and each such Working Group shall be constituted and shall operate as the JDC, JCC or JMC, respectively, determines, including with respect to the number and qualification of representatives, frequency of meetings and reporting obligations. Each Working Group shall make decisions only following [***], with each Party having [***] vote. If a Working Group fails to reach [***] on a matter before it for decision for a period in excess of [***], it shall submit the respective positions of the Parties with respect to such matter for resolution by the JDC, JCC or JMC, as applicable. The Parties anticipate that the JDC shall form a Working Group(s) to coordinate clinical and regulatory activities under this Agreement and that the JCC shall form a Working Group to coordinate global branding and commercialization activities under this Agreement

3.19 Alliance Managers. Promptly following the Effective Date, each Party shall designate an individual to facilitate communication and coordination of the Parties’ activities under this Agreement relating to Licensed Products and to provide support and guidance to the JSC (each, an “**Alliance Manager**”). Each Alliance Manager may also serve as a representative of its respective Party on the JSC.

3.20 Collaboration Guidelines. Subject to the terms of this Agreement, the activities and resources of each Party shall be managed by such Party, acting independently and in its individual capacity. The relationship between SGI and MPI is that of independent contractors and neither Party shall have the power to bind or obligate the other Party in any manner, other than as may be expressly set forth in this Agreement.

ARTICLE 4

DEVELOPMENT

4.1 Overview; Objectives. The Parties desire and intend to collaborate with respect to the Development of Licensed Products for Regulatory Approval in the Territory, as and to the extent set forth in this Agreement. It is understood and acknowledged by each Party that such Party will participate in the Development of the Licensed Product as set forth in the Global Product Development Plan, and share equally (50/50) the Joint Development Costs incurred in connection therewith, as set forth in, and in accordance with, Section 8.2. The Parties agree at all times to act in good faith and in a cooperative manner to conduct Development, to share (to the extent required under this Agreement) all Information reasonably necessary to facilitate each Party’s performance of its Development obligations hereunder, and to use reasonable efforts to cause its representatives on the JSC to reach consensus on decisions regarding Development. Each Party shall provide the JSC with regular reports detailing its respective Development activities under the Global Product Development Plan and the results thereof. Each Party and its Affiliates shall only conduct Development activities with respect to the Licensed Product (a) in accordance with the Global Product Development Plan or (b) as Independent Activities.

4.2 Global Product Development Plan and Development Budget.

(a) General. The Parties shall conduct Joint Development of the Licensed Product pursuant to a comprehensive development plan (the “**Global Product Development Plan**”). Such Global Product

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Development Plan shall include a detailed budget for all Joint Development activities set forth in the Global Product Development Plan (the “**Development Budget**”), including the resource allocations by the Parties. The Development Budget shall include, with respect to Joint Development activities:

- (i) [***];
- (ii) [***]; and
- (iii) [***].

(b) Allocation of Joint Development Activities between the Parties. The Global Product Development Plan shall set forth the specific Joint Development activities to be conducted by each Party and the timelines therefor. Except as otherwise agreed by the Parties, the Parties shall, in preparing the Global Product Development Plan (including any updates or amendments thereto), (i) endeavor to take advantage of the respective resources, capabilities and expertise of SGI and MPI; (ii) endeavor to (A) maintain, to the extent reasonably practical and appropriate, continuity in functions and commitments of personnel and physical resources of the Parties, (B) avoid duplication of efforts by the Parties and (C) foster efficient use by the Parties of resources and personnel, consistent with this Agreement and the Global Product Development Plan and Development Budget; and (iii) act in the best interests of the collaboration. The Global Product Development Plan shall specify, for each Development activity (including clinical studies), which Party shall have the lead responsibility for the conduct of such Development activity (such Party, the “**Lead Development Party**”), provided that [***], and [***]. For the sake of clarity, MPI shall be responsible for the conduct and costs of all Japan Development Activities. The Parties will discuss global Phase 3 Clinical Trials of the Licensed Product in good faith and consider [***] into such clinical trials, and, if they mutually agree to do so, MPI shall be responsible for operational control of such [***] and shall [***] exclusively attributable to the conduct of such [***].

(c) Initial Global Product Development Plan and Development Budget. The Parties have agreed upon an initial Global Product Development Plan covering the initial Development activities under this Agreement (the “**Initial Global Product Development Plan**”), including an associated Development Budget, which, along with the MPI Independent Activities mutually agreed upon as of the Effective Date, sets forth (i) those non-clinical, clinical, manufacturing and other Developmental activities that the Parties believe, as of the Effective Date, to be necessary for submission and obtaining approval of an NDA for the Licensed Product in the U.S. and an MAA for the Licensed Product in the EU and the Key Countries (other than Japan, except as provided in Section 4.2(b)). The Parties agree that, with respect to those [***] mutually agreed upon as of the Effective Date, and any other [***] for which the Parties mutually agree that [***] shall provide services to [***], [***] shall, at [***] reasonable request, assist [***] performance of those [***], for which [***]. Within a reasonable period of time following the end of each [***] during which [***] has provided such assistance, [***] will prepare and deliver to [***] a [***], in a mutually agreed upon format, [***]. [***] shall have [***] after its receipt of [***] report to request additional information related to the [***]. [***] shall make such payment in Dollars to [***] within [***] after its receipt of such report. [***] shall have the right to audit the records of [***] with respect to any such costs in accordance with Section 8.11 of this Agreement.

(d) Updates. On a [***] basis (no later than [***] and [***] of each [***], commencing in [***]), or more often as the Parties deem appropriate, the JSC shall update and amend, as appropriate, the then-current Global Product Development Plan and Development Budget. Such updates and amendments shall reflect any agreed changes, re-prioritization of, or additions to the agreed upon Development activities. Once approved by the JSC, each updated or amended Global Product Development Plan and Development Budget shall become effective and supersede the previous Global Product Development Plan and Development Budget as of the date of such approval or at such other time as decided by the JSC.

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4.3 Development Decision-Making. All matters regarding the Joint Development of the Licensed Product under the Global Product Development Plan shall be decided [***] by the JSC, subject to the provisions of Section 3.4.

4.4 Standards of Performance. Each Party shall use Commercially Reasonable Efforts to carry out the tasks assigned to it under the Global Product Development Plan. Should either Party not timely perform activities it is responsible for pursuant to the Global Product Development Plan, the other Party would have the right, if the responsible Party has not begun, or presented to the other Party a reasonable plan to conduct, such activity within [***] after written notice from such other Party, to perform such activities, with the [***] as [***]. Each Party shall provide financial and other support for the Development of the Licensed Product as necessary to achieve the objectives of this Agreement in accordance with the Global Product Development Plan and the Development Budget. Each Party shall conduct its activities and perform all its obligations under this Agreement and under the Global Product Development Plan in good scientific manner and in compliance in all material respects with all applicable Laws.

4.5 Development Costs. Subject to Section 5.2, the Parties will share Joint Development Costs equally in accordance with the reimbursement procedures set forth in Section 8.2. Except as set forth in Section 8.2, each Party shall be responsible for all costs and expenses (internal and external) incurred by it or its Affiliates in the course of performing Development activities with respect to Licensed Product under this Agreement. For the avoidance of doubt, any costs or expenses exclusively attributable to the performance of Japan Development Activities shall be borne solely by MPI, except to the extent expressly agreed by the Parties.

4.6 Joint Results. All data and results (the “**Joint Results**”) generated by or resulting from the Global Product Development Plan, whether generated by one or both Parties, shall be owned jointly by the Parties and deemed the Confidential Information of both Parties, and subject to the restrictions on use and disclosure set forth in Article 12, with each Party deemed to be the receiving Party of such Confidential Information for purposes of Article 12.

4.7 Incremental Activities; Independent Activities.

(a) In the event that either MPI or SGI wishes to conduct any [***], in each case with respect to the Licensed Product, that are not included in the then-current Global Product Development Plan [***] (each, an “**Incremental Activity**”), the proposing Party shall present the proposed design and associated costs of such Incremental Activity to the JSC. If the JSC agrees (including the actual consent of the non-proposing Party) within [***] after the submission of such proposal, the Parties shall amend the Global Product Development Plan to include such Incremental Activity as a [***] activity under the Global Product Development Plan, such Incremental Activity shall be considered Joint Development and the [***].

(b) If the non-proposing Party, through the JSC, [***] as part of the Global Product Development Plan, then the proposing Party shall be [***], subject to Section 4.7(c). The proposing Party shall be [***] responsible for the [***] and the non-proposing Party shall have [***]. Notwithstanding the foregoing, the non-proposing Party will [***]. [***]. The proposing Party shall promptly disclose to the non-proposing Party a summary of such data and a description, in reasonable detail, of the total amounts then-expended by the proposing Party in connection with such Independent Activity, and shall reasonably answer the non-proposing Party’s questions with respect thereto, including, if applicable, providing additional information if reasonably necessary for the non-proposing Party to decide whether to [***].

(c) If the non-proposing Party reasonably and in good faith objects to the conduct of a proposed Incremental Activity on the grounds that (i) [***] or (ii) [***], then the JSC shall discuss the non-proposing Party’s concerns in good faith, and for so long as the non-proposing Party continues to object in good faith on such grounds, the proposing Party shall [***].

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4.8 Records, Reports and Information. Each Party shall maintain complete, current and accurate records of all work conducted by it under the Global Product Development Plan, and all data and other Information resulting from such work. Such records shall fully and properly reflect all work done and results achieved in the performance of the Development activities in good scientific manner appropriate for regulatory and patent purposes. Each Party shall document all preclinical studies and clinical trials in formal written study reports according to applicable national and international (*e.g.*, ICH, GCP, GLP, and GMP) guidelines. Each Party shall have the right to review such records maintained by the other Party at reasonable times, upon written request, which shall not exceed [***]. During the Term, on a regular basis, each Party shall present reports at JSC meetings on its Joint Development activities, including without limitation any significant formal or informal meetings between such Party and the applicable Regulatory Authorities, at a level of detail to be agreed upon by the JSC; provided, however, that any such presentation shall include at least a summary of the resulting data for all studies conducted by a Party with the Licensed Product under the Global Product Development Plan, and provided further, upon request from the other Party, such Party conducting the studies shall provide the other Party with a copy of written study reports and access to data underlying any such study report, for use consistent with Articles 4 and 5.

4.9 Exchange of Information. Within [***] after the Effective Date, the Parties shall agree upon a written plan for SGI to provide MPI with all SGI Know How necessary or useful for MPI to undertake its activities under the Global Product Development Plan or Develop, Manufacture or Commercialize the Licensed Product for the Licensed Territory, including any final data and study reports and all raw data. Such plan shall thereafter be approved by the JDC. The Parties shall then implement such plan. In addition, SGI shall promptly provide MPI with a hard-copy of or electronic access to all such SGI Know How reasonably requested by MPI at any time after the Effective Date. From time to time throughout the Term, each Party shall provide to the other Party a hard-copy of or electronic access to all Joint Results, including any final data and study reports and all raw data.

ARTICLE 5 REGULATORY MATTERS

5.1 Regulatory Submissions and Regulatory Approvals.

(a) **Global Regulatory Plan.** The JDC shall develop a global regulatory plan for the Licensed Product that describes the regulatory actions to be taken by each Party under the Global Product Development Plan and how such activities shall be coordinated if necessary (the “**Global Regulatory Plan**”). On an approximately [***] basis, or more often as the Parties deem appropriate, the JDC shall update and amend, as appropriate, the then-current Global Regulatory Plan. Such updates and amendments shall reflect any agreed changes, re-prioritization of, or additions to the agreed upon regulatory activities for the Licensed Product. The initial and any updated or amended Global Regulatory Plan shall be subject to approval by the JSC. Once approved by the JSC, each updated or amended Global Regulatory Plan shall become effective and supersede the previous Global Regulatory Plan as of the date of such approval or at such other time as decided by the JSC.

(b) Responsibilities.

(i) Except as otherwise expressly provided in the Global Product Development Plan, the Lead Development Party for a particular clinical trial under the Global Product Development Plan shall (A) be responsible for preparing and submitting all Regulatory Materials with respect to such clinical trial and interactions with the relevant Regulatory Authorities and institutional review boards with respect thereto, (B) be responsible for the preparation of the final reports of such clinical trial, and

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(C) provide to the other Party copies of such reports in a format reasonably acceptable to the other Party, and other information relating to such clinical trial reasonably necessary for such other Party to seek Regulatory Approval or Pricing Approval for the Licensed Product in such other Party's territory.

(ii) The Party conducting an Independent Activity shall be responsible for preparing and submitting all Regulatory Materials with respect to such activities and interactions with the relevant Regulatory Authorities and institutional review boards with respect thereto.

(iii) In addition, each Party shall assist the other Party in preparing Regulatory Materials for such other Party's territory (to the extent based on such Party's Regulatory Materials, such Party's or its contractors' activities with respect to the Licensed Product, or Joint Results, to the extent the relevant information is in such Party's possession). [***]. To the extent that the Regulatory Materials being prepared by a Party will form the basis for the Regulatory Materials to be submitted by the other Party to Regulatory Authorities in such other Party's territory (which may include non-clinical information and CMC information), the Party preparing such Regulatory Materials shall permit the other Party the right to review and comment, in a timely manner, on such Regulatory Materials and the Parties shall use reasonable efforts to ensure that such Regulatory Materials are sufficient for submission in each Party's territory.

(iv) Except as provided in Sections 5.1(b)(i), (ii) or (iii) or Section 5.6(c) or as otherwise agreed by the Parties:

(1) MPI shall be solely responsible for preparing any and all Regulatory Materials to seek Regulatory Approval or Pricing Approval for the Licensed Product in the Licensed Territory and for submitting, and shall own, such Regulatory Materials in the Licensed Territory, consistent with the Global Regulatory Plan or pursuant to the MPI Independent Activities, and shall be solely responsible for interactions with the relevant Regulatory Authorities with respect thereto. SGI shall not submit any Regulatory Materials or seek Regulatory Approvals or Pricing Approvals for the Licensed Product in the Field in the Licensed Territory without the prior written consent of MPI.

(2) SGI shall be solely responsible for preparing any and all Regulatory Materials to seek Regulatory Approval or Pricing Approval for the Licensed Product in the SGI Territory and for submitting, and shall own, such Regulatory Materials in the SGI Territory, consistent with the Global Regulatory Plan or pursuant to the SGI Independent Activities, and shall be solely responsible for interactions with the relevant Regulatory Authorities with respect thereto. MPI shall not submit any Regulatory Materials or seek Regulatory Approvals or Pricing Approvals for the Licensed Product in the Field in the SGI Territory without the prior written consent of SGI.

(c) Rights of Reference. Each Party hereby grants to the other Party a right of reference to all Regulatory Materials submitted by such Party in its respective territory for the Licensed Product, subject to the following limitations. The right of reference granted to SGI herein shall be solely for the purpose of SGI, its Affiliates or any Third Party sublicensees of SGI (i) obtaining Regulatory Approvals or Pricing Approvals in the SGI Territory for the Licensed Product, (ii) conducting activities (including conducting clinical trials) assigned to SGI under the Global Product Development Plan or (iii) conducting SGI Independent Activity. The right of reference granted to MPI herein shall be solely for the purpose of MPI, its Affiliates or any Third Party sublicensees of MPI (A) obtaining Regulatory Approvals or Pricing Approvals in the Licensed Territory for the Licensed Product, (B) conducting activities (including conducting clinical trials) assigned to MPI under the Global Product Development Plan or (C) conducting MPI Independent Activity. The rights of reference granted to a Party hereunder shall not include any portion of the other Party's Regulatory Materials that is supported by Independent Activities that [***]. Upon

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request, each Party will furnish the other with an electronic copy or electronic access to and a hard copy of its Regulatory Materials for such purposes.

(d) Reporting and Review. Each Party shall keep the other Party reasonably and regularly informed of the preparation of all Regulatory Materials, Regulatory Authority review of Regulatory Materials, meetings with Regulatory Authorities, and Regulatory Approvals and Pricing Approvals for the Licensed Products, in each case in such Party's territory, pursuant to procedures to be developed by the JSC.

5.2 Regulatory Costs. Each Party shall be responsible for all costs and expenses of preparing, maintaining, formatting, and submitting Regulatory Materials for Licensed Products in its respective territory and for all other costs and expenses in connection with seeking and maintaining Regulatory Approval and Pricing Approval for Licensed Products in its respective territory, except for those regulatory items (A) specifically set forth in the Global Product Development Plan and included in the Development Budget as to which the other Party explicitly agrees to share the costs or (B) conducted by the other Party through its Independent Activities.

5.3 MPI's Performance. MPI shall use Commercially Reasonable Efforts to prepare and submit the appropriate Regulatory Materials for Licensed Products in the Licensed Territory, as determined on a country-by-country basis, and to seek to obtain Regulatory Approvals (and, if applicable, Pricing Approvals) for Licensed Products in the Licensed Territory, as determined on a country-by-country basis. [***]:

- (a) [***], and thereafter use Commercially Reasonable Efforts to [***] unless (i) [***] or (ii) [***] (a), [***];
- (b) [***];
- (c) [***] and [***]; and
- (d) [***].

5.4 Communications. Except as may be required by applicable Laws, SGI shall not communicate regarding any Licensed Product with any Regulatory Authority having jurisdiction in the Licensed Territory unless necessary to fulfill its obligations pursuant to the Global Product Development Plan as set forth in Section 5.1(b) above or explicitly requested or permitted in writing to do so by MPI or as necessary to perform SGI Independent Activities, or unless so ordered by such Regulatory Authority in the Licensed Territory, in which case SGI shall provide promptly to MPI notice of such order. Except as may be required by applicable Laws, MPI shall not communicate regarding any Licensed Product with any Regulatory Authority having jurisdiction in the SGI Territory unless necessary to fulfill its obligations pursuant to the Global Product Development Plan as set forth in Section 5.1(b) above or explicitly requested or permitted in writing to do so by SGI or as necessary to perform MPI Independent Activities, or unless so ordered by such Regulatory Authority, in which case MPI shall provide promptly to SGI notice of such order.

5.5 Pharmacovigilance Agreement. Details regarding the management of information of adverse events related to the clinical development and the use of the Licensed Product in the Licensed Territory and the SGI Territory will be delineated in a separate pharmacovigilance agreement that shall be agreed to by the Parties prior to the earlier of (a) Commercialization of the Licensed Product in any country in the Territory or (b) the preparation of any Regulatory Materials by MPI (the "**Pharmacovigilance Agreement**"). Each Party will be primarily responsible for submission of all required reports with respect to adverse events where such Party is obligated to do so under applicable Law. As of the Effective Date, the Parties acknowledge SGI maintains the global safety database for the Licensed Product. The Parties shall discuss which Party should maintain the database and, if the Parties mutually agree that such database shall be maintained by MPI, the Parties shall cooperate to transition such database to MPI. The maintaining [***] included in such database.

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5.6 Regulatory Authority Communications Received by a Party.

(a) General. Each Party shall keep the other Party informed, in a timely manner of notification, of any action by, or notification or other information which it receives (directly or indirectly) from, any Regulatory Authority in such Party's territory (whether before or after receipt of MAA or NDA approval) which: (i) raises any material concerns regarding the safety or efficacy of the Licensed Product; (ii) indicates or suggests a potential material liability of either Party to Third Parties in connection with the Licensed Product; (iii) is reasonably likely to lead to (A) a delay of planned MAA or NDA approval, (B) the imposition of Regulatory Approval requirements beyond those planned, or (C) recall or market withdrawal of the Licensed Product; or (iv) relates to expedited and periodic reports of adverse events with respect to the Licensed Product, or Product Complaints, and which may have a material impact on Regulatory Approval or the Commercialization of the Licensed Product. The other Party will fully cooperate with and assist such Party in complying with regulatory obligations and communications, including by providing to such Party, within [***] after a request (unless sooner required by the relevant Regulatory Authority), such information and documentation in the other Party's possession as may be necessary or helpful for the Party to prepare a response to an inquiry from a Regulatory Authority. If a Party is required to respond to any Regulatory Authority in the other Party's territory, such Party shall use Commercially Reasonable Efforts to seek the input and approval of the other Party before responding. Each Party shall also provide the other Party in a timely manner with a copy of all correspondence received from a Regulatory Authority specifically regarding the matters referred to above.

(b) Prior Review. Each Party shall provide to the other, a reasonable time prior to submission or promptly after receipt, any material Regulatory Materials. The Party submitting any such material Regulatory Materials shall consider in good faith any timely comments provided by such other party. The JDC or one of its working groups shall determine appropriate timeframes and mechanisms for such coordination and review.

(c) Interaction with Regulatory Authorities. Each Party shall be responsible for the scheduling, conduct and preparation of materials for meetings, interactions or communications with Regulatory Authorities in its territory, subject to Section 5.1(b)(i). Each Party shall [***] notify the other Party of any meeting (whether in person or by conference call) requested or scheduled with, and shall promptly provide to the other any communications sent to or from, the FDA, EMEA, Health Canada or such other Regulatory Authorities reasonably requested by a Party. The other Party may, on reasonable prior notice to the first Party, have no more than [***] representatives participate in any such meeting. In addition, the other Party shall send relevant subject matter experts to any such meeting if requested by the first Party. In addition, each Party shall assist such other Party in answering any questions or issues from, and shall provide any data requested by or required for Regulatory Materials to be prepared and submitted by such other Party with Regulatory Authorities or other Governmental Authorities in such other Party's territory, including, as applicable, such questions or issues regarding Manufacturing.

(d) Regulatory Non-Compliance. In addition to its obligations under Section 5.5 and 5.6(a), each Party shall disclose to the other Party any information pertaining to notices from Regulatory Authorities in the Territory of non-compliance with applicable Laws in connection with the Licensed Product including, without limitation, receipt of a warning letter or other notice of alleged non-compliance from any Regulatory Authority relating to the Licensed Product.

5.7 Regulatory Actions.

(a) Audit. If a Regulatory Authority desires to conduct an inspection or audit of a Party's facility or a facility under contract with such Party with regard to the Licensed Product or any data relating to the Licensed Product obtained by or on behalf of a Party, such Party (i) shall promptly notify the other Party of

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such inspection or audit, (ii) shall cooperate and cause the contract facility to cooperate with such Regulatory Authority during such inspection or audit, (iii) shall immediately update the other Party during (in the case of multi-day inspections or audits) and following such inspection or audit of any information relevant to the Licensed Product, (iv) shall immediately provide to the other Party the inspection or audit observations of such Regulatory Authority relevant to the Licensed Product, (v) shall prepare the response to any such observations, (vi) shall provide a copy of such planned response to the other Party, and (vii) shall conform its activities under this Agreement to any commitments made in such a response, except to the extent it believes in good faith that such commitments violate applicable Laws. Both Parties agree to use Commercially Reasonable Efforts to cause their Third Party sublicensees to accept an audit mechanism substantially similar to the mechanism described above in this Section 5.7(a).

(b) Recalls and Voluntary Withdrawals. The Parties shall exchange their internal standard operating procedures (“SOPs”) for conducting product recalls reasonably in advance of the First Commercial Sale of any Licensed Product in the Territory, and shall discuss and resolve in writing any conflicts between such SOPs and issues relating thereto promptly after such exchange. If either Party becomes aware of information relating to any Licensed Product that indicates that a unit or batch of such Licensed Product may not conform to the specifications therefor, or that potential adulteration, misbranding, and/or other issues have arisen that relate to the safety or efficacy of Licensed Products, it shall promptly so notify the other Party. The Party having the right to control such recall pursuant to this Section 5.7(b) may, at its sole discretion, take appropriate courses of action, which shall be consistent with the internal SOP of such Party; *provided however* that such controlling Party shall promptly notify the other Party of any recall action being considered, and where practicable, consider the views of the non-controlling Party prior to taking any recall action. MPI shall have the right, [***] to control any recalls, field corrections, field alerts or withdrawals of any Licensed Product in the Licensed Territory. SGI shall have the right, [***], to control all recalls, field corrections, field alerts and withdrawals of any Licensed Product in the SGI Territory. MPI and SGI shall maintain complete and accurate records of any recall of Licensed Product according to its then current SOPs for such periods as may be required by applicable Laws, but in no event for less than [***].

ARTICLE 6

COMMERCIALIZATION

6.1 Commercialization in the Licensed Territory. As between the Parties, MPI shall have sole responsibility for Commercializing all Licensed Products in the Licensed Territory, as provided in this Article 6, and MPI shall bear all of the costs and expenses incurred in connection with all such Commercialization activities, unless otherwise expressly agreed by the Parties.

6.2 Commercialization in the SGI Territory. As between the Parties, SGI shall have sole responsibility for Commercializing all Licensed Products in the SGI Territory, as provided in this Article 6, and SGI shall bear all of the costs and expenses incurred in connection with all such Commercialization activities, unless otherwise expressly agreed by the Parties.

6.3 MPI’s Performance.

(a) MPI shall use Commercially Reasonable Efforts to Commercialize the Licensed Product in the Licensed Territory, as determined on a country-by-country basis, for each indication for which it receives Regulatory Approval of an MAA and, if Commercialization of Licensed Product is not reasonably practicable prior to receipt of Pricing Approval, Pricing Approval. Without limiting the generality of the

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foregoing but subject to Section 6.3(b), during each of the [***], MPI, itself or through its Affiliates, sublicensees and Distributors, [***]:

- (i) [***];
- (ii) [***]; and
- (iii) [***].

As used herein, “[***] of (i) [***], or (ii) [***]. As used herein, “[***].

(b) The Parties will enter into good faith negotiations to [***]. [***].

(c) At least once per [***], in addition to MPI’s obligations under Section 6.4 and the [***] JCC meetings arranged between the Parties, MPI will reasonably inform the JSC or the JCC regarding the Commercialization of the Licensed Product throughout the Licensed Territory by MPI, its Affiliates and sublicensees. Such reports submitted by MPI to the JSC or JCC shall cover subject matter at a level of detail reasonably sufficient to enable SGI to determine MPI’s compliance with its diligence obligations pursuant to this Section 6.3.

6.4 Reports. Each Party shall provide to the JCC quarterly sales reports, including, without limitation, specific marketing efforts and planning and sales execution. The JCC shall update the JSC at each meeting regarding significant Commercialization activities for Licensed Products in the Territory, including a [***] for the following [***] sales of such Licensed Products.

6.5 Coordination of Marketing Activities. The JCC and/or the JSC, as appropriate, shall be responsible for coordinating the Commercialization of Licensed Product throughout the Territory (i.e., by MPI for the Licensed Territory and by SGI for the SGI Territory) and for approving any Commercialization activities that relate to, or require activities in, or would reasonably be expected to materially impact, the other Party’s territory. Unless prohibited by Law, the Parties agree to [***]. Notwithstanding the agreement to [***].

6.6 Compliance. Each Party shall comply in all material respects with all applicable Laws in Commercializing Licensed Products in the Territory under this Agreement.

6.7 Use of Distributors. Subject to Section 2.5(a), each Party shall have the right to engage Distributors to distribute Licensed Products in particular countries within its territory in accordance, on a country-by-country basis, with such Party’s standard practices for selecting Distributors for its other products having market potential comparable to that of Licensed Products in such country.

ARTICLE 7

MANUFACTURE AND SUPPLY

7.1 Coordination. The provisions of this Article 7 shall apply unless otherwise mutually agreed by the Parties.

7.2 Non-Commercial Supply of Licensed Product.

(a) **For Joint Development.** From the Effective Date and continuing until at least [***] following [***] in a first country in the Licensed Territory (the “SGI Manufacturing Period” and, the [***] of such First Commercial Sale, the (“[***]”), SGI shall, itself or through one or more Third Party contract

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manufacturers, supply in a timely fashion all quantities of the Licensed Product as required by the Parties to carry out all Development activities (including pre-clinical and clinical) for the Licensed Product pursuant to the Global Product Development Plan, on the terms set forth in the Non-Commercial Supply Agreement. Such quantities of the Licensed Product and the schedule of such supply shall be confirmed by the JSC and consistent with the Initial Global Product Development Plan and subsequent Global Product Development Plans. The Cost of Goods Sold of such Licensed Product shall be shared by the Parties as a Joint Development Cost; *provided, however*, that MPI shall pay for any such preclinical or clinical supply of Licensed Product it uses for Japan Development Activities [***]. [***] prior written notice to MPI, provided that [***].

(b) For Independent Development. During the SGI Manufacturing Period, SGI shall, itself or through one or more Third Party contract manufacturers, supply to MPI quantities of the Licensed Product reasonably required by MPI to carry out MPI Independent Activities, on the terms set forth in the Non-Commercial Supply Agreement. [***].

7.3 Non-Commercial Supply Agreement. Forecasting and ordering procedures, Licensed Product specifications, and other operational matters relating to the supply of Licensed Product under Sections 7.2(a) and 7.2(b) shall be set forth in a manufacturing and supply agreement mutually agreed upon by the Parties not later than ninety (90) days after the Effective Date (the “**Non-Commercial Supply Agreement**”) and shall include the provisions set forth in **Exhibit C** and such other customary terms, including lead times, delivery, rolling forecasts and purchase orders. In connection with such Non-Commercial Supply Agreement, the Parties shall enter into a quality agreement governing the agreed upon specifications and other technical aspects of supply of the Licensed Product for non-Commercial activities by the Parties (the “**Non-Commercial Quality Agreement**”).

7.4 Commercial Supply of Licensed Product. [***], the Parties shall negotiate in good faith and enter into a manufacturing and supply agreement (the “**Commercial Supply Agreement**”) under which SGI will agree to supply during the SGI Manufacturing Period, itself or through one or more Third Party contract manufacturers, Licensed Product to MPI for Commercialization in the Licensed Territory. Such Commercial Supply Agreement shall contain the provisions set forth in **Exhibit C** and such other customary terms governing such manufacturing and supply relationships, and shall provide that such Licensed Product [***]. Included as part of such Commercial Supply Agreement, the Parties shall enter into a quality agreement governing the agreed upon specifications and other technical aspects of supply of the Licensed Product for Commercialization by the Parties (the “**Commercial Quality Agreement**”). For the sake of clarity, [***].

7.5 SGI Supply Agreements. As of the Effective Date, SGI has made arrangements for the Manufacture of the Licensed Product for the Licensed Territory through Third Party contract manufacturer(s) and/or SGI’s Affiliates. Within a reasonable period of time prior to entering into any material future supply agreement during the SGI Manufacturing Period with a Third Party contract manufacturer relating to the Licensed Product, [***]. In addition, during the [***], it being understood that SGI shall be the [***]. During the SGI Manufacturing Period, [***].

7.6 Manufacture of Licensed Products by MPI.

(a) Following the end of the SGI Manufacturing Period, [***] (i) for use by the MPI for its Joint Development activities and (ii) for use by MPI and its Affiliates, and their respective sublicensees, for MPI Independent Activities and for Commercialization in the Licensed Territory; *provided* that SGI [***]. Subject to any limitations set forth in the Commercial Supply Agreement or any existing supply agreements between SGI and Third Parties for the supply of Licensed Product for Commercial purposes under Section 7.4 above, MPI may, upon not less than [***] prior written notice to SGI during the SGI Manufacturing Period, manufacture Licensed Product (or certain portions thereof) for Commercialization in

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the Licensed Territory or for MPI Independent Activities or for MPI's Joint Development activities (or have such Licensed Product manufactured for such purpose by a Third Party manufacturer(s) identified by MPI) at the end of such notice period. Commencing on the earliest of (i) [***], (ii) [***] or (iii) [***], [***],[***].

(b) Upon request by MPI, SGI shall transfer, or use commercially reasonable efforts to cause its Third Party manufacturer(s) to transfer, to MPI (or MPI Affiliate(s) or Third Party manufacturer(s) identified by MPI) the technology and other information in SGI's possession or control reasonably necessary to Manufacture Licensed Product, subject to reimbursement of SGI's and/or its Third Party manufacturers' reasonable costs therefor.

(c) Following any transfer of Manufacturing rights and responsibilities to MPI hereunder, MPI shall consider in good faith any request by SGI to provide SGI with a back-up supply of Licensed Product for the SGI Territory if requested by SGI. All supplies of Licensed Product by MPI shall be sold to SGI at [***], but SGI shall [***] of any changes to the specifications for the SGI Territory.

(d) Following any transfer of Manufacturing rights and responsibilities to MPI hereunder, SGI shall consider in good faith any request by MPI to provide MPI with a back-up supply of Licensed Product for the Licensed Territory if requested by MPI. All such supplies of Licensed Product by SGI shall be sold to MPI at [***], but MPI shall [***] of any changes to the specifications for the Licensed Territory.

7.7 Second or Additional Source. Each Party has the right at any time (notwithstanding any implications to the contrary hereunder) to establish a second or additional source (i.e., in addition to SGI's Third Party manufacturers existing as of the Effective Date) for the supply of Licensed Product or any component thereof at such Party's expense. To the extent that the Parties agree to jointly establish a second or additional source to one or more of SGI's Third Party manufacturers existing as of the Effective Date, the relevant activities with respect to establishing such second or additional source shall be included in the Global Product Development Plan and [***].

7.8 Records; Audit Rights. Each Party will maintain complete and accurate records in sufficient detail to permit the other Party to confirm the accuracy of the calculation of Cost of Goods Sold or Supply Price under this Agreement. Upon reasonable prior notice, such records shall be available during regular business hours for a period of [***] from the creation of individual records for examination at the [***], and not more often than once each [***], by an independent certified public accountant selected by the auditing Party and reasonably acceptable to the other Party subject to the inspection, for the sole purpose of verifying the accuracy of the Cost of Goods Sold or Supply Price for any Licensed Product supplied pursuant to this Agreement. Any such auditor shall not disclose the audited Party's Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the calculation of Cost of Goods Sold or Supply Price. Any amounts shown to have been overpaid by a Party shall be [***] within [***] from the accountant's report, or shall be [***] to such Party for Licensed Product. The auditing Party shall [***] of such audit unless such audit [***] of more than [***], in which case the audited Party [***].

ARTICLE 8 COMPENSATION

8.1 Upfront Payment. [***], MPI shall pay to SGI a non-refundable, non-creditable upfront payment of \$60 million by wire transfer of immediately available funds into an account designated by SGI.

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8.2 Reimbursement of Shared Joint Development Costs.

(a) Within [***] following the end of each [***] beginning from the Effective Date, each Party will prepare and deliver to the other Party a [***] report, in a mutually agreed upon format, detailing its Joint Development Costs incurred during such period (or estimates thereof, to the extent necessary). Each Party shall have [***] after its receipt of the other Party’s quarterly report to request additional information related to the Joint Development Costs included in such quarterly report.

(b) Within [***] after the end of the applicable [***], SGI will prepare a composite report that: (i) summarizes the Joint Development Costs incurred by each Party for such Calendar Quarter, (ii) calculates the costs for which each Party is responsible (the “**Cost Allocation**”), which shall amount to fifty percent (50%) of the total Joint Development Costs incurred by the Parties for such [***], subject to Section 8.2(d); and (iii) computes the amount in Dollars due to MPI or SGI, as the case may be, for such [***] based upon the Parties’ respective Cost Allocations. If a Party owes any amount to the other Party for a particular [***], then such Party shall make such payment in Dollars to the other Party within [***] after its receipt or provision of the applicable composite report, as the case may be. Each Party shall have the right to audit the records of the other Party with respect to any purported Joint Development Costs included in such reports, in accordance with Section 8.11 of this Agreement.

(c) To the extent that any such Joint Development Costs reported pursuant to Section 8.2(a) were estimated, the relevant Party shall provide actual cost information with the next [***] report, and the provisions of Section 8.2(b) shall apply to properly allocate between the Parties any amount by which such actual costs exceeded or were less than the estimated costs.

(d) For any [***] period described in Section 4.2(d), SGI and MPI shall each be permitted to recover Joint Development Costs with respect to such Party’s Development activities for such [***] period up to a maximum of [***] of the amounts allocated to such Development activities in the Development Budget. Notwithstanding the foregoing, either Party shall be entitled to recover any [***], which approval may be granted either in advance of such costs being incurred or retroactively.

8.3 Development Milestone Payments. MPI shall make the following milestone payments to SGI within [***] after the achievement of each of the following milestone events by MPI or, with respect to the [***], SGI, or, as applicable, their respective Affiliates or sublicensees. Each such milestone payment shall be made by wire transfer of immediately available funds into an account designated by SGI. Each such milestone payment shall be [***].

(a) [***]. The milestone payments listed in the table below shall be payable to SGI for the [***] to achieve the designated milestone event with respect to [***].

<u>Milestone Event</u>	<u>Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) [***]. The milestone payments listed in the table below shall be payable to SGI for the [***] to achieve the designated milestone event with respect to [***].

<u>Milestone Event</u>	<u>Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) [***]. The milestone payments listed in the table below shall be payable to SGI for the first Licensed Product to achieve the designated milestone event with respect to [***].

<u>Milestone Event</u>	<u>Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]

(d) [***]. The milestone payments listed in the table below shall be payable to SGI for the [***] to achieve the designated milestone event with respect to [***]. Notwithstanding the foregoing, with respect to each such milestone payment, in the event that MPI reasonably determines in good faith, and shares its determination with SGI at least [***] before the reasonably anticipated achievement of the relevant milestone event, [***]. If SGI disputes such [***]. If SGI does not provide such notice and [***].

<u>Milestone Event</u>	<u>Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(e) [***]. The milestone payments listed in the table below shall be payable to SGI for the [***] to achieve the designated milestone event with respect to the [***]. Notwithstanding the foregoing, with respect to each such milestone payment, in the event that [***]. If SGI disputes such [***]. If SGI does not provide such notice and [***].

<u>Milestone Event</u>	<u>Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(f) **Clarifications.** For clarity, in the event that MPI, or its Affiliates or sublicensees submits an MAA for a Licensed Product with EMEA for a [***] or a [***], and at such time, [***]. [***]. For further clarity, for purpose of this Section 8.3, [***] of (i) [***] and (ii) [***]. For further clarity, each milestone payment specified in Sections 8.3(a) through (e) shall be [***].

8.4 Sales Milestone Payments. MPI shall make the following [***], [***] sales milestone payments to SGI within [***] after the end of the Calendar Year in which aggregated annual Net Sales of the Licensed Product in such Calendar Year in all countries in the Licensed Territory reach the following thresholds for the first time:

<u>Annual Net Sales Threshold</u>	<u>Sales Milestone Payment</u>
[***]	[***]
[***]	[***]
[***]	[***]

[***], [***].

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

8.5 Royalties.

(a) **Royalty Rates.** During the Royalty Term, MPI shall pay to SGI a royalty at the following royalty rates, on aggregate Net Sales of the Licensed Product in a Calendar Year by MPI, its Affiliates and its sublicensees in the Licensed Territory:

Calendar Year Net Sales of Licensed Product in the Licensed Territory	Royalty Rate for Net Sales
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(b) **Clarifications.** For the avoidance of doubt, the incremental royalty percentage rates set forth in Section 8.5(a) shall [***]. The obligation to pay royalties shall be imposed [***].

(c) **Adjustments Related to Generic Products** If, on a country-by-country basis, sales in the Field on a [***] basis of Generic Products in such country [***] of all Generic Products and Licensed Products in such country as measured at the end of a [***], then any royalties due under Section 8.5(a) shall be [***], starting with the [***], by:

- (i) [***]; and
- (ii) [***];

provided, however, that in no event shall the royalties due under Section 8.5(a) be [***].

Sales levels for Generic Products shall be based on information provided by a qualified market research firm selected by mutual agreement of the Parties (collectively, the “**Generic Market Data**”). Notwithstanding anything to the contrary, where Generic Market Data is not available on a country-by-country basis for a country but Generic Market Data (x) is available on a regional basis for the geographic region containing such country, such available regional sales data across all countries in the applicable geographical region (e.g., Europe, South America, Africa, Asia) shall be used in the determination of the volume of sales of Generic Products in such country or (y) is available for the major market country(ies) in such geographical region accounting for at least [***] of the total market for Generic Products across such geographic region, the Generic Market Data for the applicable major market countries will be used to determine the volume of sales for all countries within the applicable geographical region. Where no Generic Market Data is available for a particular geographical region, the Parties will determine the level of sales of Generic Products in such region in good faith based on the totality of the information then available for global sales of Licensed Products and Generic Products.

(d) **Third Party Royalties.** To the extent that MPI pays, pursuant to Section 8.6, amounts due under an Existing Third Party Agreement or Future Third Party Agreement, MPI shall be entitled to [***]; provided that such [***]. MPI may [***].

(e) **Limitation on [***].** Notwithstanding Sections 8.5(c) and 8.5(d) above, in no event shall the [***] of the amounts set forth in Section 8.5(a). For example, if, [***]. [***].

(f) **Royalty Term.** Royalties payable under this Section 8.5 with respect to a particular Licensed Product in a particular country in the Licensed Territory, will commence on the Effective Date and will continue for so long as such Licensed Product is sold in such country (such period, the “**Royalty Term**”).

(g) **Royalty Payments and Reports.** MPI shall calculate all royalty amounts payable to SGI pursuant to this Section 8.5 with respect to Net Sales at the end of each Calendar Quarter, which amounts shall be

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converted to Dollars at such time in accordance with Section 8.9. MPI shall provide such calculation to SGI within twenty (20) Business Days after the end of each Calendar Quarter. Each such calculation shall include a statement of the amount of gross sales of the Licensed Products in the Licensed Territory during the applicable Calendar Quarter, an itemized calculation of Net Sales in the Licensed Territory showing deductions, to the extent practicable, provided for in the definition of "Net Sales" during such Calendar Quarter, and a calculation of the amount of royalty payment due on such sales for such Calendar Quarter. MPI shall require its sublicensees to account for their Net Sales and to provide such reports with respect thereto as if such sales were made by MPI. SGI shall promptly invoice MPI after receipt of such report and MPI shall pay such invoice within twenty (20) Business Days after receipt of such invoice.

8.6 Third Party Royalties. Subject to Section 8.5(d), [***], and all [***], in each case to the extent due as a result of Development, use, manufacture, importation, sale, or offering for sale of the Licensed Product in the Licensed Territory by MPI, its Affiliates, or their respective sublicensees. For purposes of the calculation of [***], MPI shall reasonably estimate the amount of such payments pursuant to any such agreement to which MPI is not a party, shall report such calculation in the report it provides pursuant to Section 8.5(g), [***]. SGI shall promptly confirm or update such calculation, along with reasonable detail to support any update thereof, and (a) [***], and (b) [***]. With respect to any tiered royalties based on sales of Licensed Product in the Licensed Territory and the SGI Territory, each Party shall pay [***].

8.7 Taxes.

(a) Cooperation and Coordination. The Parties acknowledge and agree that it is their mutual objective and intent to appropriately minimize, to the extent feasible and legal, the Taxes payable with respect to their collaborative efforts under this Agreement and that they shall use all commercially reasonable efforts to cooperate and coordinate with each other to achieve such objective.

(b) Payment of Taxes. A Party receiving a payment pursuant to this Article 8 shall pay any and all Taxes levied on such payment. If applicable Laws require that Taxes be deducted and withheld from a payment made pursuant to this Article 8, the remitting Party shall (i) deduct those Taxes from the payment; (ii) pay the Taxes to the proper taxing authority; and (iii) send evidence of the obligation together with proof of payment to the other Party within [***] following that payment.

(c) Assessment. Either Party may, at its own expense, protest any assessment, proposed assessment, or other claim by any Governmental Authority for any additional amount of Taxes, interest or penalties or seek a refund of such amounts paid if permitted to do so by applicable Law. The Parties shall cooperate with each other in any protest by providing records and such additional information as may reasonably be necessary for a Party to pursue such protest.

8.8 Blocked Currency. In each country where the local currency is blocked and cannot be removed from the country, royalties accrued on Net Sales in that country shall be paid to SGI in the equivalent amount in Dollars unless the Parties otherwise agree.

8.9 Foreign Exchange. The rate of exchange to be used in converting a foreign currency into Dollars for the purpose of computing any payments hereunder shall be the average month end rates of exchange for the applicable foreign currency published in [***].

8.10 Late Payments. If a Party does not receive payment of any sum due to it on or before the due date, [***] shall thereafter accrue on the sum due to such Party until the date of payment at the per annum rate of [***] over the then-current prime rate quoted by Citibank in New York City or the maximum rate allowable by applicable Law, whichever is lower.

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8.11 Records; Audits. MPI will maintain complete and accurate records in sufficient detail to permit SGI to confirm the accuracy of the calculation of royalty payments under this Agreement. Each Party will maintain complete and accurate records in sufficient detail to permit the other Party to confirm the accuracy of all Joint Development Costs and, except as provided in Section 7.8, any other costs shared by the Parties or other payments made by one Party to the other under this Agreement. Upon reasonable prior notice, such records shall be available during regular business hours for a period of [***] from the creation of individual records for examination [***] the Party requesting the audit (the **“Auditing Party”**), and not more often than [***], by an independent certified public accountant selected by the Auditing Party and reasonably acceptable to the Party being audited (the **“Audited Party”**), for the sole purpose of verifying the accuracy of the financial reports furnished by the Audited Party pursuant to this Agreement. Any such auditor shall not disclose the Audited Party’s Confidential Information, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by that Party or the amount of payments due by MPI or SGI under this Agreement. Any amounts shown to be [***] within thirty (30) days from the accountant’s report, plus interest (as set forth in Section 8.9) from the original due date. Any amounts shown to have been [***] within sixty (60) days from the accountant’s report. The Auditing Party shall bear the full cost of such audit unless such audit discloses an underpayment of the amount actually owed during the applicable [***] of more than [***], in which case the Audited Party shall [***].

8.12 Calendar Days. Any payment which becomes due on any day which is not a Business Day shall instead be due on the next Business Day.

ARTICLE 9

INTELLECTUAL PROPERTY MATTERS

9.1 Ownership of Inventions. Each Party shall own any inventions made solely by its or its Affiliates’ employees, agents, or independent contractors in the course of conducting its activities under this Agreement, together with all intellectual property rights therein (**“Sole Inventions”**). The Parties shall jointly own any inventions that are made jointly by employees, agents, or independent contractors of SGI or its Affiliates, on the one hand, and MPI or its Affiliates, on the other hand, in the course of performing activities under this Agreement, together with all intellectual property rights therein (**“Joint Inventions”**). Notwithstanding the above, if any Sole Invention made by [***] or Joint Invention relates primarily to or is derived directly from the [***] (but not derived from the Licensed Product more generally) (a **“[***]”**), (i) [***] shall, and hereby does, assign to [***] its interest in such [***] (which shall thereafter be [***]), (ii) subject to Section 9.3, [***] shall have the sole right and authority to prepare, file, prosecute and maintain Patents claiming such assigned inventions and they shall be considered [***]. Inventorship shall be determined in accordance with U.S. patent laws. Sole Inventions owned by MPI and MPI’s interest in Joint Inventions shall be included in the MPI Technology, as applicable. Sole Inventions owned by SGI and SGI’s interest in Joint Inventions shall be included in the Licensed Technology, as applicable.

9.2 Disclosure of Inventions. Each Party shall promptly disclose to the other any invention disclosures, or other similar documents, submitted to it by its or its Affiliates’ employees, agents or independent contractors describing inventions that are Joint Inventions or Sole Inventions, and all Information relating to such Joint Inventions or Sole Inventions.

9.3 Prosecution of Patents.

(a) SGI Patent Rights. SGI shall use reasonable efforts to prepare, file, prosecute and maintain the SGI Patent Rights in coordination with MPI, as set forth below.

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(i) SGI Platform Patent Rights. Except as otherwise provided in this Section 9.3(a)(i), SGI shall have the sole right and authority to prepare, file, prosecute and maintain the SGI Platform Patent Rights on a worldwide basis. [***] of such filing, prosecution and maintenance shall be [***]. SGI shall provide MPI reasonable opportunity to review and comment on such efforts regarding such SGI Platform Patent Rights in the Licensed Territory applicable to the Licensed Product, including by providing MPI with a copy of material communications from any patent authority in the Licensed Territory regarding such SGI Platform Patent Rights, and by providing at least one draft of any material filings or responses substantially in the form to be filed with such patent authorities in advance of submitting such filings or responses. SGI shall consider MPI's comments in good faith.

(ii) SGI Product Patent Rights. Except as otherwise provided in this Section 9.3(a)(ii), SGI shall have the sole right and authority to prepare, file, prosecute and maintain the SGI Product Patent Rights on a worldwide basis. [***] of such filing, prosecution and maintenance shall [***]; provided, however, that if MPI elects not to [***] with respect to an SGI Product Patent Right in a country(ies) in the Licensed Territory, it shall notify SGI, [***]. SGI shall provide MPI reasonable opportunity to review and comment on such efforts regarding such SGI Product Patent Rights in the Licensed Territory, including by providing MPI with a copy of material communications from any patent authority in the Licensed Territory regarding such SGI Product Patent Rights, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses. SGI shall consider MPI's comments in good faith. If SGI determines in its sole discretion to abandon or not maintain any SGI Product Patent Right in any country in the Licensed Territory (other than any SGI Product Patent Right to which [***]), then SGI shall provide MPI with written notice of such determination within a period of time reasonably necessary to allow MPI to assume responsibility for the filing, prosecution and maintenance of such SGI Product Patent Right in such country. In the event MPI provides written notice to SGI expressing its interest in such SGI Product Patent Right in such country, MPI shall thereafter have the right to direct the filing, prosecution and maintenance of such SGI Product Patent Right in such country on SGI's behalf, and [***]. Notwithstanding the foregoing, if SGI determines that continued prosecution of any SGI Product Patent Right in any country in the Licensed Territory will unreasonably affect SGI's ability to prosecute and obtain patent protection for any SGI Platform Patent Right in the country in the Licensed Territory, SGI shall have the right, after reasonable consultation with MPI, to [***]. For the avoidance of doubt, SGI shall have the unilateral right, [***], to [***].

(b) MPI Patent Rights. Except as otherwise provided in this Section 9.3(b), MPI shall have the sole right and authority to prepare, file, prosecute and maintain the MPI Patent Rights (other than Joint Patents) on a worldwide basis. The [***], with SGI responsible for such [***], and MPI responsible for such [***]; provided, however, that if SGI elects not to [***], it shall notify MPI and such [***]. MPI shall provide SGI reasonable opportunity to review and comment on such efforts regarding the MPI Collaboration Patent Rights in the SGI Territory, including by providing SGI with a copy of material communications from any patent authority regarding such MPI Collaboration Patent Rights, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses. If MPI determines in its sole discretion to abandon or not maintain any MPI Collaboration Patent Rights in any country in the SGI Territory, then MPI shall provide SGI with written notice of such determination within a period of time reasonably necessary to allow SGI to assume responsibility for the filing, prosecution and maintenance of such MPI Collaboration Patent Rights. In the event SGI provides written notice to MPI expressing its interest in such MPI Collaboration Patent Rights, SGI shall thereafter have the right to direct the filing, prosecution and maintenance of such MPI Collaboration Patent Rights on MPI's behalf, and the costs of such filing, prosecution and maintenance shall be borne by SGI.

(c) Joint Patents. Except as otherwise provided in this Section 9.3(c), SGI shall have the primary right and authority to prepare, file, prosecute and maintain the Patents included in the Joint Inventions (“**Joint**

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Patents”) on a worldwide basis. The [***], with SGI responsible for such [***], and MPI responsible for such [***], unless the Parties otherwise [***]. SGI shall provide MPI with the reasonable opportunity to review and comment on such efforts regarding such Joint Patents in the Territory, including by providing MPI with a copy of material communications from any patent authority in such country(ies) regarding such Joint Patents, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses, and SGI shall give due consideration to any reasonable comments made by MPI. If SGI determines in its sole discretion to abandon or not maintain any Joint Patent(s) in any country(ies) of the world, then SGI shall provide MPI with written notice of such determination within a period of time reasonably necessary to allow MPI to assume responsibility for the filing, prosecution and maintenance of such Joint Patents. In the event MPI provides written notice to SGI expressing its interest in such Joint Patents, MPI shall thereafter have the right to direct the filing, prosecution and maintenance of such Joint Patents on the Parties’ behalf, and [***].

(d) Cooperation in Prosecution. Each Party shall provide the other Party all reasonable assistance and cooperation in the Patent prosecution efforts provided above in this Section 9.3, including providing any necessary powers of attorney and executing any other required documents or instruments for such prosecution, as well as further actions as set forth below.

(i) The Parties shall respectively prepare, file, maintain and prosecute the SGI Patent Rights, MPI Patent Rights and Joint Patents as set forth in this Section 9.3. As used herein, “prosecution” of such Patents shall include, without limitation, all communication and other interaction with any patent office or patent authority having jurisdiction over a patent application throughout the world in connection with pre- and post-grant proceedings.

(ii) All communications between the Parties relating to the preparation, filing, prosecution or maintenance of the SGI Patent Rights, MPI Patent Rights and Joint Patents, including copies of any draft or final documents or any communications received from or sent to patent offices or patenting authorities with respect to such Patents, shall be considered Confidential Information of both Parties (provided, however, that communications (if any) with respect to MPI Patent Rights shall be considered Confidential Information of MPI) and subject to the confidentiality provisions of Article 12.

(iii) Assignments in the Patents claiming Sole Inventions or Joint Inventions shall be effected as follows:

(1) employees or agents of MPI or its Affiliates that are properly named as inventors on any Patents claiming a Sole Invention or Joint Invention shall assign their interest in such Patents to MPI; and

(2) employees or agents of SGI or its Affiliates that are properly named as inventors on any Patents claiming a Sole Invention or Joint Invention shall assign their interest in such Patents to SGI.

9.4 Patent Term Extensions. The JSC will discuss and recommend for which, if any, of the Patents within the SGI Patent Rights, MPI Collaboration Patent Rights and Joint Patents in the Licensed Territory the Parties should seek Patent Term Extensions in the Licensed Territory. [***]. [***]. All filings for such extensions shall be made by the Party Controlling such Patent or, in the case of Joint Patents, by the Party responsible for filing, prosecuting and maintaining such Joint Patents in accordance with Section 9.3(c). The Party that does not apply for an extension hereunder will cooperate fully with the other Party in making such filings or actions, for example and without limitation, making available all required regulatory data and information and executing any required authorizations to apply for such Patent Term Extension. [***].

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9.5 Infringement of Patents by Third Parties.

(a) **Notification.** Each Party shall promptly notify the other Party in writing of any existing or threatened infringement of the SGI Patent Rights, MPI Collaboration Patent Rights or Joint Patents of which it becomes aware, shall provide all evidence in such Party's possession demonstrating such infringement, and share with the other Party all information available to it regarding such alleged infringement.

(b) Infringement of SGI Patent Rights.

(i) SGI shall have the first right, but not the obligation, to initiate a suit or take other appropriate action that it believes is reasonably required to protect (i.e., prevent or abate actual or threatened infringement or misappropriation of) or otherwise enforce SGI Platform Patent Rights anywhere in the world or SGI Product Patent Rights in the SGI Territory, [***].

(ii) With respect to any alleged infringement of SGI Platform Patent Rights in the Licensed Territory based on the making, using, selling, offering for sale or importing a product targeting CD30 (“**CD30 Product Activities**”), SGI shall have a period of [***] after the first notice under Section 9.5(a) to elect to enforce SGI Platform Patent Rights against such infringement in the Licensed Territory. In the event SGI does not so elect in the Licensed Territory, SGI shall so notify MPI in writing of its decision and its reasons for not electing to file suit, and in such notice, notify MPI whether MPI is permitted to initiate a suit or take other appropriate action to enforce such SGI Platform Patent Rights in the Licensed Territory against such infringement, in which case MPI may, in its discretion, initiate a suit or take other appropriate action to enforce such SGI Platform Patent Rights in the Licensed Territory at [***]. In this case, SGI shall take appropriate actions in order to enable MPI to commence a suit or take the actions set forth in the preceding sentence. [***].

(iii) MPI shall have the first right, but not the obligation, to initiate a suit or take other appropriate action that it believes is reasonably required to protect (i.e., prevent or abate actual or threatened infringement or misappropriation of) or otherwise enforce SGI Product Patent Rights in the Licensed Territory against allegedly infringing CD30 Product Activities, [***]. In this case, SGI shall take appropriate actions in order to enable MPI to commence a suit or take the actions set forth in the preceding sentence. MPI shall have a period of [***] after the first notice under Section 9.5(a) to elect to enforce such SGI Product Patent Rights against such infringement in the Licensed Territory. In the event MPI does not so elect, MPI shall so notify SGI in writing, and SGI may, in its discretion, initiate a suit or take other appropriate action to enforce such SGI Product Patent Rights in the Licensed Territory against such infringement [***]. In this case, MPI shall take appropriate actions in order to enable SGI to commence a suit or take the actions set forth in the preceding sentence.

(c) Infringement of MPI Patents.

(i) MPI shall have the first right, but not the obligation, to initiate a suit or take other appropriate action that it believes is reasonably required to protect (i.e., prevent or abate actual or threatened infringement or misappropriation of) or otherwise enforce MPI Non-Collaboration Patent Rights anywhere in the world or MPI Collaboration Patent Rights in the Licensed Territory at its own cost and expense.

(ii) With respect to any alleged infringement of MPI Collaboration Patent Rights in the Licensed Territory based on CD30 Product Activities, MPI shall have a period of [***] after the first notice under 9.5(a) to elect to enforce such MPI Collaboration Patent Rights against such infringement in the Licensed Territory. In the event MPI does not so elect, MPI shall so notify SGI in writing, and SGI may, in its discretion, initiate a suit or take other appropriate action to enforce such MPI Collaboration Patent Rights in the Licensed Territory against such CD30 Product Activities, [***]. In this case, MPI

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shall take appropriate actions in order to enable SGI to commence a suit or take the actions set forth in the preceding sentence.

(iii) SGI shall have the first right, but not the obligation, to initiate a suit or take other appropriate action that it believes is reasonably required to protect (i.e., prevent or abate actual or threatened infringement or misappropriation of) or otherwise enforce MPI Collaboration Patent Rights in the SGI Territory against allegedly infringing CD30 Product Activities, [***]. SGI shall have a period of [***] after the first notice under 9.5(a) to elect to enforce such MPI Collaboration Patent Rights against such infringement in the SGI Territory. In the event SGI does not so elect, SGI shall so notify MPI in writing, and MPI may, in its discretion, initiate a suit or take other appropriate action to enforce such MPI Collaboration Patent Rights in the SGI Territory against such infringement [***]. In this case, SGI shall take appropriate actions in order to enable MPI to commence a suit or take the actions set forth in the preceding sentence.

(d) **Infringement of Joint Patents.** If a Third Party infringes any Joint Patents, the Parties shall discuss such infringement and SGI and MPI shall have the joint right, but neither Party shall be obligated, to initiate a suit or take other appropriate action that one or both Parties believe is reasonably required to protect (i.e., prevent or abate actual or threatened infringement or misappropriation of) or otherwise enforce such Joint Patents against such infringement. If both Parties agree to so enforce such Joint Patents, they shall be jointly responsible for, and [***] of any suit brought by them and shall [***]. If one Party elects not to enforce such Joint Patents against such infringement, then the other Party shall have the right, but not the obligation, to take action to enforce such Joint Patents against such infringement [***].

(e) **Cooperation.** Each Party shall provide to the Party enforcing any such rights under this Section 9.5 reasonable assistance in such enforcement, at such enforcing Party's request [***], including joining such action as a party plaintiff if required by applicable Law to pursue such action. Except with respect to the MPI Non-Collaboration Patent Rights, the enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, shall reasonably consider the other Party's comments on any such efforts, and shall seek consent of the other Party in any important aspects of such enforcement including, without limitation, determination of litigation strategy, filing of important papers to the competent court, which consent shall not be unreasonably withheld or delayed.

(f) **Separate Representation.** The Party not bringing an action with respect to an infringement in the Licensed Territory under this Section 9.5 shall be entitled to separate representation in such matter by counsel of its own choice and [***], but such Party shall at all times cooperate fully with the Party bringing such action.

(g) **Allocation of Recoveries.** If either Party recovers monetary damages from any Third Party in a suit or action brought under Section 9.5(b) or Section 9.5(c), whether such damages result from the infringement of SGI Patent Rights or MPI Collaboration Patent Rights, such recovery shall be allocated (i) [***]; and (ii) [***]; provided, however, that, (A) with respect to any such suit or action brought by MPI pursuant to Section 9.5(b)(ii) or 9.5(b)(iii), the amount of such remainder shall be [***]; (B) with respect to any such suit or action brought by SGI pursuant to Section 9.5(b)(iii), the amount of such remainder shall be [***]; and (C) with respect to any such suit or action brought by SGI pursuant to Section 9.5(b)(ii), SGI shall [***], provided, however, that if [***].

9.6 Infringement of Third Party Rights in the Licensed Territory.

(a) **Notice.** If any Licensed Product manufactured, used or sold by either Party, its Affiliates, licensees or sublicensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent granted by a jurisdiction within the Licensed Territory or other jurisdictions where the Licensed Product is manufactured, the Party first having notice of the claim or assertion shall promptly notify the other Party,

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the Parties shall agree on and enter into an “identity of interest agreement” wherein such Parties agree to their shared, mutual interest in the outcome of such potential dispute, and thereafter, the Parties shall promptly meet to consider the claim or assertion and the appropriate course of action.

(b) Defense. Each Party shall have the first right, but not the obligation, to defend any such Third Party claim or assertion of infringement of a Patent brought against such Party as described in subsection (a) above, at such Party’s expense. If such Party does not commence actions to defend such claim within [***] after it receives notice thereof (or within [***] after it should have given notice thereof to the other Party as required by Section 9.6(a)), then to the extent allowed by applicable Laws, such other Party shall have the right, but not the obligation, to control the defense of such claim by counsel of its choice, at such other Party’s expense. The non-defending Party shall reasonably cooperate with the Party conducting the defense of the claim or assertion, including, if required to conduct such defense, furnishing a power of attorney.

(c) Settlement. Each Party shall have an equal right to participate in any settlement discussions that are held with Third Parties described in this Section 9.6, and neither Party shall enter into any settlement of any claim described in this Section 9.6 that materially adversely affects the other Party’s rights or interests without such other Party’s written consent, which consent shall not be unreasonably withheld or delayed.

9.7 Patent Invalidity Claim. Each Party shall promptly notify the other Party in writing of any legal or administrative action by any Third Party against a MPI Collaboration Patent Right, SGI Patent Right or Joint Patent Right of which it becomes aware, including any nullity, revocation, reexamination or compulsory license proceeding. Responsibility for defending against any such action shall be determined in the same manner as enforcement of the relevant Patent Rights pursuant to Section 9.5.

9.8 Patent Marking. To the extent required by Law in order to protect Patent rights, (a) MPI (or its Affiliate or sublicensee) shall mark Licensed Products marketed and sold by MPI (or its Affiliate or sublicensee) hereunder with appropriate patent numbers or indicia of SGI Patent Rights at SGI’s request, and (b) SGI (or its Affiliate or sublicensee) shall mark Licensed Products marketed and sold by SGI (or its Affiliate or sublicensee) hereunder with appropriate patent numbers or indicia of MPI Patent Rights at MPI’s request.

9.9 License Registration. Wherever applicable, for each SGI Patent Right in the Licensed Territory, SGI shall register MPI’s exclusive license to such SGI Patent Right before the applicable patent authority, [***]. In addition, SGI shall allow MPI to file appropriate information with the Regulatory Authorities in the Licensed Territory listing any SGI Patents or Joint Patents in the orange book equivalent, if any, as a patent relating to the Licensed Product.

9.10 Trademarks. Both Parties shall use the same brand name and associated trademarks for Licensed Products to create a worldwide brand for Licensed Products unless a Party has cause to use a different brand name (such as for regulatory or Third Party infringement reasons) in its territory and informs the JSC thereof. Neither Party shall, without the other Party’s consent, use any trademarks that include, in whole or part, any corporate logo or name of the other Party or marks confusingly similarly thereto, in connection with such Party’s marketing or promotion of the Licensed Product, except as otherwise agreed by the JCC or JSC or as otherwise required by applicable Law. Except as otherwise agreed by the JCC or JSC, (a) SGI shall be responsible for the selection, registration, maintenance and defense of all trademarks for use in connection with the sale or marketing of the Licensed Product in the SGI Territory at [***], and SGI shall own such trademarks, and (b) MPI shall be responsible for the selection, registration, maintenance and defense of all trademarks for use in connection with the sale or marketing of the Licensed Product in the Licensed Territory at [***], and MPI shall own such trademarks. Subject to applicable Laws, and to the extent agreed upon by the JDC, any development materials used by a Party (i.e., abstracts, journal materials and listing of clinical studies) relating to the Licensed

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Product shall include the other Party's name and a trademark owned by and designated by such other Party, and shall display the names and trademarks of both Parties in equal prominence. To the extent a Party reasonably requests to use the other Party's trademarks, including the Party's name and trademarks (including any use of SGI's name and trademarks by MPI pursuant to the preceding sentence), such other Party shall provide a non-exclusive, worldwide, royalty-free, fully-paid, license to such trademarks to the requesting Party solely for the purpose of fulfilling its obligations under this Agreement, subject to the licensed Party complying with the licensing Party's trademark guidelines and quality control provisions. Such license shall be sublicensable only to such Party's Affiliates, and its permitted Distributors and commercial sublicensees necessary to Commercialize a Licensed Product or otherwise fulfill its obligations hereunder.

ARTICLE 10

REPRESENTATIONS AND WARRANTIES

10.1 Mutual Representations and Warranties. Each Party hereby represents, warrants, and covenants (as applicable) to the other Party as follows:

(a) **Corporate Existence and Power.** It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder.

(b) **Authority and Binding Agreement.** As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) the Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

(c) **No Conflict; Covenant.** It is not a party to any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under the Agreement.

(d) **No Debarment.** In the course of the Development of Licensed Products, such Party has not used, prior to the Effective Date, and shall not use, during the Term, any employee or consultant who has been debarred by any Regulatory Authority, or, to the best of such Party's knowledge, is the subject of debarment proceedings by a Regulatory Authority.

10.2 Additional Representations, Warranties and Covenants of SGI. SGI represents, warrants and covenants to MPI as follows:

(a) **Non-Infringement of SGI Patent Rights by Third Parties.** As of the Effective Date, to SGI's Best Knowledge, there are no activities by Third Parties that would [***].

(b) **No Claims of Third Party Rights.** To SGI's Best Knowledge as of the Effective Date, (i) (A) the Development, use and Manufacture of the Licensed Product in the Territory [***], and (B) [***], and (ii) [***].

(c) **Ownership.** As of the Effective Date, SGI owns or has rights to the Licensed Technology, [***].SGI shall [***].

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(d) Validity and Enforceability. To SGI's Best Knowledge, the issued patents included in the SGI Patent Rights and SGI Third Party Patent Rights as of the Effective Date are valid and enforceable. To SGI's Best Knowledge as of the Effective Date, [***]. [***]. To SGI's Best Knowledge, [***].

(e) No Action or Claim. As of the Effective Date, there are no actual, pending or, to SGI's Best Knowledge, [***].

(f) Completeness. Exhibit A includes a complete and correct list, in all material respects, of all SGI Patent Rights existing as of the Effective Date and to SGI's Best Knowledge, all SGI Third Party Patent Rights existing as of the Effective Date.

(g) IP Disclosure. SGI has provided MPI with access to (i) [***] and (ii) [***].

(h) Third Party Agreements. Exhibit E sets forth a true and complete list of (i) all Existing Third Party Agreements (including all royalties and milestones to be paid thereunder) and (ii) all material agreements in effect as of the Effective Date between SGI or its Affiliates, on the one hand, and any Third Party manufacturer with respect to the antibody, drug-linker, conjugation and fill/finish of the Licensed Product (or any component thereof, other than raw materials), on the other hand. SGI has, prior to the Effective Date, provided MPI with access to true and complete copies of each of the agreements listed in **Exhibit E** and any prior agreements for the manufacture of the License Product where [***]. As of the Effective Date, to SGI's Best Knowledge, [***]. As of the Effective Date, [***]. As of the Effective Date, the agreements listed in **Exhibit E** are in full force and effect. SGI shall use commercially reasonable efforts to maintain and perform its obligations under the Existing Third Party Agreements and the other agreements listed in **Exhibit E** in full force and effect during the Term and [***].

(i) Manufacturing Agreements. Except as has been specifically disclosed to MPI or included in Third Party manufacturing agreements provided to MPI prior to the Effective Date, [***]. SGI shall not amend any such agreement in a manner that would [***]. As of the Effective Date, the Manufacturing process for the Licensed Product [***].

(j) Compliance with Laws. The Development, use and Manufacture of Licensed Products in the Territory on or prior to the Effective Date has been conducted by SGI and its Affiliates and its and their subcontractors, in compliance (in all material respects) with all applicable Laws ([***]). To SGI's Best Knowledge, neither SGI nor any of its Affiliates, nor any of their respective officers, employees or agents, [***].

(k) Product Disclosure. As of the Effective Date, SGI has provided MPI with all material information in SGI's or its Affiliates' possession or control [***].

10.3 Disclaimer. MPI understands that the Licensed Products are the subject of ongoing Development by SGI and that SGI cannot assure the safety, usefulness or commercial potential of Licensed Products. In addition, SGI makes no warranties except as expressly set forth in this Article 10 concerning the Licensed Products and Licensed Technology.

10.4 No Other Representations or Warranties. EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 10, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, IS MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL IMPLIED REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

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ARTICLE 11
INDEMNIFICATION

11.1 Indemnification by SGI. SGI shall defend, indemnify, and hold MPI and its Affiliates and MPI's and its Affiliates' officers, directors, employees, and agents (collectively, the "**MPI Indemnitees**") harmless from and against any and all Third Party claims, suits, proceedings, damages, expenses (including court costs and reasonable attorneys' fees and expenses), and recoveries (collectively, "**Claims**") to the extent that such Claims arise out of, are based on, or result from (a) the Commercialization of Licensed Products by or on behalf of SGI or its Affiliates, or their respective Distributors or licensees in the SGI Territory; (b) any SGI Independent Activities; (c) a breach of any of SGI's representations, warranties, or obligations under the Agreement; (d) the willful misconduct or negligent acts of SGI, its Affiliates, or the officers, directors, employees, or agents of SGI or its Affiliates under this Agreement; or (e) the development, manufacture, use or commercialization of any [***] by or on behalf of SGI or its Affiliates, or their respective Distributors or licensees (except as otherwise provided in any written agreement between the Parties). The foregoing indemnity obligation shall not apply to the extent that the MPI Indemnitees fail to comply with the indemnification procedures set forth in Section 11.3 and SGI's defense of the relevant Claims is prejudiced by such failure, or to the extent that any Claim arises from, is based on, or results from (i) a breach of any of MPI's representations, warranties, or obligations under the Agreement; or (ii) the willful misconduct or negligent acts of MPI or its Affiliates, or the officers, directors, employees, or agents of MPI or its Affiliates.

11.2 Indemnification by MPI. MPI shall defend, indemnify, and hold SGI and its Affiliates and SGI's and its Affiliates' officers, directors, employees, and agents (collectively, the "**SGI Indemnitees**") harmless from and against any and all Claims to the extent that such Claims arise out of, are based on, or result from (a) the Commercialization of the Licensed Products by or on behalf of MPI or its Affiliates, or their respective Distributors or sublicensees in the Licensed Territory; (b) any MPI Independent Activities, (c) a breach of any of MPI's representations, warranties, or obligations under the Agreement; (d) the willful misconduct or negligent acts of MPI or its Affiliates, or the officers, directors, employees, or agents of MPI or its Affiliates under this Agreement; or (e) the development, manufacture, use or commercialization of any [***] by or on behalf of MPI or its Affiliates, or their respective Distributors or licensees (except as otherwise provided in any written agreement between the Parties). The foregoing indemnity obligation shall not apply to the extent that the SGI Indemnitees fail to comply with the indemnification procedures set forth in Section 11.3 and MPI's defense of the relevant Claims is prejudiced by such failure, or to the extent that any Claim arises from, is based on, or results from (i) a breach of any of SGI's representations, warranties, or obligations under the Agreement; or (ii) the willful misconduct or negligent acts of SGI or its Affiliates, or the officers, directors, employees, or agents of SGI or its Affiliates.

11.3 Indemnification Procedures. A Party claiming indemnity under this Article 11 (the "**Indemnified Party**") shall give written notice to the Party from whom indemnity is being sought (the "**Indemnifying Party**") promptly after learning of such Claim. The Indemnified Party shall provide the Indemnifying Party with reasonable assistance, at the Indemnifying Party's expense, in connection with the defense of the claim for which indemnity is being sought. The Indemnifying Party shall have the right to assume and conduct the defense of the claim with counsel of its choice; provided the Indemnified Party may participate in and monitor such defense with counsel of its own choosing [***]; provided further, that the Indemnifying Party shall obtain the prior written consent (such consent to not be unreasonably withheld, delayed or conditioned) of any such Indemnified Party as to any settlement which would materially diminish or materially adversely affect the scope, exclusivity or duration of any Patents licensed under this Agreement, would require any payment by such Indemnified Party, would require an admission of legal wrongdoing in any way on the part of an Indemnified Party, would effect an amendment of this Agreement or would otherwise materially adversely affect the Indemnified Party. So long as

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the Indemnifying Party is actively defending the claim in good faith, the Indemnified Party shall not settle any such claim without the prior written consent of the Indemnifying Party. If the Indemnifying Party does not assume and conduct the defense of the claim as provided above, (a) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to the claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (b) the Indemnifying Party will remain responsible to indemnify the Indemnified Party as provided in this Article 11.

11.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 11.4 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 11.1 OR 11.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF (A) CONFIDENTIALITY OBLIGATIONS IN ARTICLE 12, (B) THE EXCLUSIVE OR CO-EXCLUSIVE LICENSES GRANTED TO THE OTHER PARTY PURSUANT TO SECTION 2.1, OR (C) SECTION 2.5.

11.5 Insurance. Each Party shall secure and maintain in full force and effect throughout the term of this Agreement (and for at least [***] thereafter for claims made coverage), insurance with coverage and minimum policy limits set forth as follows:

- (a) [***];
- (b) [***];
- (c) [***]; and
- (d) [***].

Notwithstanding the foregoing, MPI may elect to self-insure all or a portion of its insurance obligations set forth herein. During the period that this Section 11.5 requires a Party to secure and maintain insurance in full force and effect, such Party shall furnish to the other Party, upon request, a certificate from an insurance carrier (having a [***]) demonstrating the insurance requirements set forth above, naming the other Party as an additional insured (except on the policy for Workers' Compensation), or in the event of MPI's self-insurance, MPI shall provide written evidence of such self-insurance.

During the period that this Section 11.5 requires a Party to secure and maintain insurance in full force and effect, such Party shall provide that [***] advance written notice will be given to the other Party of any material change or cancellation in coverage or limits.

ARTICLE 12 CONFIDENTIALITY

12.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, during the Term and for a period of [***] thereafter ([***]), each Party agrees that it shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in this Agreement any of the other Party's Confidential Information except for that portion of such information or materials that the receiving Party can demonstrate by competent written proof:

- (a) was already known to the receiving Party or its Affiliate, other than under an obligation of confidentiality, at the time of disclosure by the other Party;

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(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

(d) was disclosed, other than under an obligation of confidentiality, to the receiving Party or its Affiliate by a Third Party who has a legal right to make such disclosure; or

(e) was independently discovered or developed by the receiving Party or its Affiliate without the aid, application, or use of the disclosing Party's Confidential Information.

12.2 Authorized Disclosure. Each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary in the following situations:

(a) regulatory submissions and other filings with Governmental Authorities, including filings with the Securities and Exchange Commission or other relevant exchange on which such Party is listed;

(b) prosecuting or defending litigation;

(c) filing, prosecuting, maintaining or enforcing Patents to the extent expressly provided in this Agreement;

(d) complying with applicable Laws, including regulations promulgated by securities agencies, court order, and administrative subpoena or order;

(e) disclosure to its employees, agents, consultants, other persons, and any bona fide Third Party sublicensees and Distributors only on a need-to-know basis and solely as necessary in connection with the performance of or as otherwise contemplated by this Agreement, provided that in each case the recipient of such Confidential Information must agree to be bound by similar obligations of confidentiality and non-use at least as equivalent in scope as those set forth in this Article 12 prior to any such disclosure and with respect to any Confidential Information received from a Third Party, subject to any specific provisions in an agreement with such Third Party governing disclosure of such information, provided that the receiving Party has first been notified of such provisions and agreed to be bound by them; and

(f) disclosure of the material financial terms of this Agreement to any actual or bona fide potential investor, investment banker, acquiror, merger partner, licensee, sublicensee or other potential financial or collaborative partner; provided, that in connection with such disclosure, the disclosing Party shall use all reasonable efforts to inform each disclosee of the confidential nature of such Confidential Information and obtain from each recipient of such Confidential Information an agreement similar in scope to the restrictions set forth herein regarding Confidential Information and to treat such Confidential Information as confidential.

Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to clause (a) through (c) of this Section 12.2, it will, except where impracticable, give reasonable advance notice to the other Party of such disclosure and use best efforts to secure confidential treatment of such information. In any event, each Party agrees to take all reasonable action to avoid disclosure of the other Party's Confidential Information hereunder.

12.3 Publicity; Terms of Agreement.

(a) The Parties agree that the material terms of this Agreement are included within the Confidential Information of both Parties, subject to the special authorized disclosure provisions set forth below in this Section 12.3 or in Section 12.2. The Parties shall issue a joint press release regarding the execution of this Agreement in the form set forth on **Exhibit B** and on the date mutually agreed by the Parties, which date shall not be later than [***] after the Effective Date.

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(b) After release of such press release, if either Party desires to make a public announcement concerning the material terms of this Agreement or either Party's activities under the Global Product Development Plan, such Party shall give reasonable prior advance notice of the proposed text of such announcement to the other Party for its prior review and approval (except as otherwise provided herein), such approval not to be unreasonably withheld or delayed. A Party commenting on such a proposed public announcement shall provide its comments, if any, within [***] after receiving the public announcement for review. To the extent required by law or by the regulations of the applicable securities exchange upon which a Party may be listed, such Party shall have the right to make a public announcement concerning the material terms of this Agreement or either Party's activities under the Global Product Development Plan, including public announcements of the achievement of milestones under this Agreement as they are achieved, and the achievements of MAA or NDA approvals in the Licensed Territory as they occur, as well as any financial information necessary for its required financial disclosures, including, as applicable, the amount of milestone payment, royalty revenue and upfront payments, subject only to the review procedure set forth in the preceding sentences. In relation to the other Party's review of such an announcement, such other Party may make specific, reasonable comments on such proposed press release within the prescribed time for commentary, but shall not withhold its consent to disclosure of the information that the relevant milestone has been achieved and triggered a payment hereunder, that MAA or NDA approval has occurred or that such revenue or payments have been earned or received. Notwithstanding the foregoing, except as disclosed in the joint press release in the form attached as **Exhibit B**, SGI acknowledges that the Parties intend to preserve as confidential the royalty rates and royalty tiers under this Agreement, to the extent disclosure thereof is not required by law or by the regulations of the applicable securities exchange upon which a Party may be listed, and SGI shall not disclose MPI's Net Sales without MPI's prior written consent. Neither Party shall be required to seek the permission of the other Party to repeat any information regarding the terms of this Agreement or either Party's activities under the Global Product Development Plan that has already been publicly disclosed by such Party, or by the other Party, in accordance with this Section 12.3.

(c) The Parties acknowledge that each Party may in the future be obligated to file a copy of this Agreement with the U.S. Securities and Exchange Commission or other applicable entity having regulatory authority over such Party's securities (the "SEC"). Such Party shall be entitled to make such a required filing, provided that it requests confidential treatment of certain commercial terms and technical terms hereof to the extent such confidential treatment is reasonably available to such Party. In the event of any such filing, such Party will provide the other Party, a reasonable time prior to filing, with a copy of the Agreement marked to show provisions for which the filing Party intends to seek confidential treatment and shall reasonably consider and incorporate the other Party's comments thereon to the extent consistent with the legal requirements governing redaction of information from material agreements that must be publicly filed. Such other Party will as promptly as practical provide any such comments. Each Party recognizes that applicable Laws and SEC policies and regulations to which the filing Party is and may become subject to may require such filing Party to publicly disclose certain terms of this Agreement that the other Party may prefer not be disclosed, and that the filing Party is entitled hereunder to make such required disclosures to the minimum extent necessary to comply with such Laws and SEC policies and regulations.

12.4 Publications. The JDC shall prepare and approve [***] with respect to the Licensed Product and results of studies carried out under this Agreement. Neither Party may publish manuscripts (whether peer-reviewed or not), or give other forms of public disclosure such as abstracts and presentations, of results of studies carried out under this Agreement, without the opportunity for prior review by the other Party or [***]. A Party seeking publication shall provide the other Party and the JDC the opportunity to review and comment on any proposed manuscripts, abstracts, scientific presentations or other similar public disclosures which relate to any Licensed Product at least [***] prior to their intended submission for publication or presentation. The other Party

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shall provide the Party seeking publication with its comments in writing, if any, within [***] after receipt of such proposed manuscripts or presentations. The Party seeking publication shall consider such comments of the other Party and shall remove any and all of the other Party's Confidential Information (other than the Joint Results) at the request of such other Party. In addition, the Party seeking publication shall delay the submission for a period up to [***] in the event that the other Party can demonstrate reasonable need for such delay, including without limitation, the preparation and filing of a patent application. If such Party fails to provide its comments to the Party seeking publication within such [***], such other Party shall be deemed to not have any comments, and the Party seeking publication shall be free to publish in accordance with this Section 12.4 after the [***] has elapsed. The Party seeking publication shall provide the other Party a copy of the manuscript at the time of the submission. The Party seeking publication shall not have the right to publish or present the other Party's Confidential Information without prior written consent of the other Party, except as expressly permitted in this Agreement. With respect to any proposed abstracts, manuscripts or summaries of presentations by investigators or other Third Parties, such materials shall be subject to review under this Section 12.4 to the extent that SGI or MPI, as the case may be, has the right and ability (after using reasonable efforts) to do so.

ARTICLE 13

TERM AND TERMINATION

13.1 Term. This Agreement shall become effective on the Effective Date and shall remain in effect until terminated in accordance with Sections 13.2, 13.3 or 13.4, or by mutual written agreement, or until the expiration of all payment obligations under Article 8 (the “Term”).

13.2 Unilateral Termination by MPI. MPI shall have the right to terminate this Agreement in its entirety [***] prior written notice to SGI.

13.3 Termination for Breach. Subject to Section 13.6, each Party shall have the right to terminate this Agreement upon written notice to the other Party if the other Party materially breaches an obligation under this Agreement, and, after receiving written notice from the non-breaching Party identifying such material breach in reasonable detail, fails to cure such material breach (including failure to pay any amounts due hereunder) within [***] from the date of such notice (which may be extended for an additional [***] if such breach cannot be cured within such initial [***] period, provided the breaching Party (a) has begun to cure such breach within such initial [***] period, (b) provides the non-breaching Party with a reasonable plan to cure such breach, and (c) uses reasonable efforts to implement such plan during such additional [***] period). Notwithstanding anything to the contrary herein, [***]. If the alleged breaching Party disputes in good faith the existence or materiality of a breach specified in a notice provided by the other Party, then the non-breaching Party shall not have the right to terminate this Agreement under this Section 13.3 unless and until an arbitrator or court, in accordance with Article 14, has determined that the alleged breaching Party has materially breached this Agreement and such Party fails to cure such breach within [***] following such decision of such arbitrator or court (except to the extent such breach involves the failure to make a payment when due, which breach must be cured within [***] following such decision of such arbitrator or court). It is understood and agreed that during the pendency of such dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder.

13.4 [*]. [***].**

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13.5 Effect of Early Termination of the Agreement. Upon the early termination of this Agreement by MPI under Section 13.2, or by SGI under Section 13.3 due to MPI's material uncured breach (whether this Agreement is terminated in its entirety or with respect to a country(ies)), or Section 13.4, the following shall apply (in addition to any other rights and obligations under Sections 13.2, 13.3, or 13.4 or otherwise under this Agreement with respect to such termination or material breach of this Agreement):

(a) **Regulatory Materials.** To the extent permitted by applicable Laws, [***].

(b) **Trademarks.** [***].

(c) **MPI License.** MPI hereby grants to SGI, effective only in event of such termination, an [***] (i) [***] and (ii) [***]. In addition, for clarity, [***].

(d) **Transition Assistance.**

(i) MPI shall provide reasonable assistance, [***], as may be reasonably necessary for SGI to commence or continue Developing, manufacturing and Commercializing the Licensed Products in the Terminated Countries to the extent MPI is then performing or having performed such activities, including without limitation upon request of SGI, using reasonable efforts to (A) transfer any agreements or arrangements with Distributors, suppliers or vendors which apply solely to the sale or supply of Licensed Products in the Terminated Countries, and (B) amend any agreement or arrangements with Distributors, suppliers or vendors which apply to some extent to the sale or supply of Licensed Products in the Terminated Countries to transfer to SGI the rights solely with respect to Licensed Products in the Terminated Countries, in each case without requiring the payment of additional consideration to such Distributor, supplier or vendor.

(ii) In addition, [***], [***] to complete any ongoing clinical studies included in such Global Product Development Plan, in each case [***] for the Development of the Licensed Product for the Terminated Countries on or before the later of (A) the [***] of the effective date of such termination of this Agreement and (B) [***] of the [***] in which this Agreement is so terminated.

(iii) To the extent that MPI or its Affiliate is then Manufacturing Licensed Products for the Terminated Countries, MPI shall continue to Manufacture, and shall supply to SGI, [***], such Licensed Products for SGI's use in the Terminated Countries [***] in order to permit SGI to establish sufficient manufacturing capacity for Licensed Product in the Terminated Countries, in addition to the manufacturing capacity that SGI had in place for its use in the SGI Territory. Such period shall be no more than [***] unless otherwise agreed by the Parties.

(e) **Remaining Inventories.** SGI shall have the right to purchase from MPI, [***], all or part of the inventory of the Licensed Product held by MPI for the Terminated Countries as of the effective date of such termination of this Agreement. SGI shall notify [***] after receiving notice from MPI reporting such inventory as of the date of such termination of this Agreement. If SGI does not exercise such right, then subject to Article 8 hereof, [***].

13.6 Effects of Material Adverse Breach by SGI.

(a) If MPI has the right to terminate this Agreement pursuant to Section 13.3 due to a Material Adverse SGI Breach, then MPI may, by written notice to SGI, elect to waive its right to terminate this Agreement due to the relevant occurrence of such Material Adverse SGI Breach (but shall retain its rights under Section 13.3 to terminate this Agreement with respect to any other material uncured breach of this Agreement by SGI) and continue the Agreement, in which case, effective as of the date MPI would have had the right to terminate this Agreement, [***], and, for the sake of clarity, all other provisions of this Agreement shall remain in full force and effect without change.

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(b) **“Material Adverse SGI Breach”** means (i) [***], (ii) [***], (iii) [***], (iv) [***], (v) [***], (vi) [***], or (vii) [***].

(c) In the event MPI [***] (i) [***]; or (ii) [***].

13.7 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by SGI and MPI are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or any comparable provision of any Law in any other jurisdiction, licenses of right to “intellectual property” as defined under Section 101 of the U.S. Bankruptcy Code or any comparable provision of any Law in any other jurisdiction. The Parties agree that each Party, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or any comparable Law in any other jurisdiction. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the U.S. Bankruptcy Code or any comparable Law in any other jurisdiction, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in such other Party’s possession, shall be promptly delivered to such other Party (a) upon any such commencement of a bankruptcy proceeding upon such other Party’s written request therefor, unless such Party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under clause (a), following the rejection of this Agreement by such Party upon written request therefor by such other Party.

13.8 Survival. The following provisions shall survive any expiration or termination of this Agreement for the period of time specified (or indefinitely, as applicable): [***]. For the sake of clarity and notwithstanding anything to the contrary in this Agreement, termination of this Agreement shall be in addition to, and shall not prejudice, the Parties’ remedies at law or in equity, including the Parties’ ability to receive legal damages and/or equitable relief with respect to any breach of this Agreement, regardless of whether or not such breach was the reason for the termination.

ARTICLE 14 DISPUTE RESOLUTION

14.1 Disputes. The Parties recognize that disputes as to certain matters may from time to time arise during the Term which relate to either Party’s rights and/or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Article 14 (except where a different procedure is otherwise specified in this Agreement) to resolve any controversy or claim arising out of, relating to or in connection with any provision of this Agreement, if and when a dispute arises under this Agreement.

14.2 Referral to Executive Officers. With respect to disputes arising from or not resolved by the JSC, or any other disagreement, dispute or claim arising between the Parties, relating to, but not limited to, the Development of the Licensed Products or otherwise, either Party may, by written notice to the other Party, have such dispute referred to the Executive Officers for each Party for attempted resolution by good faith efforts, which efforts shall include at least one in person meeting within [***] after such notice is received. If the Executive Officers designated by the Parties are not able to resolve such dispute within [***] after such matter is referred to them, then, except as otherwise specified in this Agreement, the Parties shall try to resolve such dispute through mediation pursuant to Section 14.3, which mediation may be initiated by either Party at any time after the conclusion of such [***] period.

14.3 Mediation. Mediation shall be administered by JAMS or another independent mediator as may be mutually selected by the Parties. The mediation shall take place in [***]. The Parties shall use good faith efforts

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to resolve any disputes referred to mediation as expeditiously as practicable. If the Parties fail to resolve any such dispute through mediation within [***] after the initiation thereof, the dispute shall be resolved by binding arbitration pursuant to Section 14.4.

14.4 Binding Arbitration. Disputes not resolved by mediation pursuant to Section 14.3 shall be resolved through binding arbitration administered by JAMS, which arbitration may be initiated by either Party at any time after the conclusion of such period, on the following basis:

(a) The place of arbitration shall be [***].

(b) The arbitration shall be conducted by [***] arbitrators with not less than [***] of relevant experience in the subject matter of the dispute, one selected by each of the Parties and the third mutually agreed upon by the respective individuals selected by the Parties.

(c) The arbitration shall be made in accordance with the Comprehensive Arbitration Rules and Procedures of JAMS then in effect.

(d) The award shall be made in writing, shall be binding on the Parties and may be entered as a judgment by any court or forum having jurisdiction.

(e) Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Further, either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of such Party pending the arbitration award.

(f) The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages, except as provided in Section 11.4.

(g) Each Party shall [***] of arbitration.

(h) Except to the extent necessary to confirm an award, as may be required by Law or as may be required to be disclosed to a Party's auditors, neither Party nor any arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties.

(i) In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable statute of limitations.

14.5 Patent and Trademark Dispute Resolution. Notwithstanding Sections 14.2, 14.3 and 14.4, any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any Patent covering the Manufacture, use or sale of any Licensed Product or of any trademark rights relating to any Licensed Product shall be submitted to a court of competent jurisdiction in the Territory in which such Patent or trademark rights were granted or arose.

14.6 Injunctive Relief. Nothing herein may prevent either Party from seeking preliminary injunction or temporary restraint order in order to prevent any Confidential Information from being disclosed without appropriate authorization under this Agreement.

ARTICLE 15

MISCELLANEOUS

15.1 Entire Agreement; Amendment. This Agreement, including the Exhibits hereto, sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations,

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conditions and understandings between the Parties hereto with respect to the subject matter hereof and supersedes, as of the Effective Date, all prior agreements and understandings between the Parties with respect to the subject matter hereof, including, without limitation, the CDAs (provided, however, that each Party shall remain subject to the [***]). There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

15.2 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by Force Majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting Force Majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, **“Force Majeure”** shall mean conditions beyond the reasonable control of a Party, including without limitation, an act of God, war, civil commotion, terrorist act, labor strike or lock-out, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm or like catastrophe, and failure of plant or machinery (provided that such failure could not have been prevented by the exercise of skill, diligence, and prudence that would be reasonably and ordinarily expected from a skilled and experienced person engaged in the same type of undertaking under the same or similar circumstances). Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a Force Majeure affecting such Party.

15.3 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement, and shall be addressed to the appropriate Party at the address specified below or such other address as may be specified by such Party in writing in accordance with this Section 15.3, and shall be deemed to have been given for all purposes (a) when received, if hand-delivered or sent by a reputable international courier service, or (b) five (5) Business Days after mailing, if mailed by first class certified or registered airmail, postage prepaid, return receipt requested.

If to SGI: Seattle Genetics, Inc.
21823 30th Drive SE
Bothell, WA 98021
Attn: Chief Executive Officer
cc: General Counsel

If to MPI: Millennium Pharmaceuticals, Inc.
40 Landsdowne Street
Cambridge, MA 02139
Attn: Chief Medical Officer and EVP-Commercial
cc: General Counsel

15.4 No Strict Construction; Headings; Interpretation. This Agreement has been prepared jointly and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section. In construing this Agreement, unless expressly specified otherwise, (a) references to Sections and Exhibits are to sections of, and exhibits to, this Agreement; (b) except where the context otherwise requires, use of either gender includes the other gender, and use of the singular includes the plural and vice versa; (c) any list or examples

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following the word “including” or “include” shall be interpreted without limitation to the generality of the preceding words; and (d) except where the context otherwise requires, the word “or” is used in the inclusive sense.

15.5 Assignment.

(a) Neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other, except that a Party may make such an assignment without the other Party’s consent to (1) an Affiliate(s) of the assigning Party, or (2) a successor to substantially all of the business of such Party to which this Agreement relates, whether in a merger, sale of stock, sale of assets or other transaction. Notwithstanding the foregoing, (i) in no event shall either Party assign this Agreement to a Third Party [***], (ii) in no event shall either Party assign the Licensed Technology or MPI Collaboration Technology (as applicable) to any Affiliate or Third Party [***], and (iii) in no event shall either Party assign [***]; provided, however, that, for the sake of clarity, the provisions of clauses (i) through (iii) shall not apply to a Party’s assignment of only its right to receive payments under this Agreement.

(b) Any successor to or permitted assignee of rights and/or obligations hereunder shall, in writing to the other Party, expressly assume performance of such rights and/or obligations.

(c) The Licensed Technology, in the case of SGI as assignor or transferor, or the MPI Technology, in the case of MPI as assignor or transferor, shall exclude any intellectual property which the permitted assignee or transferee which was a Third Party immediately prior to such assignment owned or otherwise controlled prior to the effective date of such assignment or transfer of this Agreement to such assignee or transferee which was not developed in connection with the Licensed Product.

(d) This Agreement shall be binding on the successors to or any permitted assignee of the assigning Party. Any assignment or attempted assignment by either Party in violation of the terms of this Section 15.5 shall be null, void and of no legal effect.

15.6 [*].**

(a) MPI agrees that upon the Effective Date and for a period lasting until the earlier of the [***] of the Effective Date or the expiration or termination of this Agreement, [***]:

(i) [***];

(ii) [***];

(iii) [***];

(iv) [***];

(v) [***]; or

(vi) [***].

(b) Nothing in this Section 15.6 shall [***].

(c) The prohibitions set forth in the foregoing Section 15.6(a) ([***]) shall not apply to (i) [***]; or (ii) [***], or (iii) [***].

(d) [***].

(e) For purposes of this Agreement, a [***]:

(i) [***];

(ii) [***];

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(iii) [***]; or

(iv) [***].

15.7 Change of Control.

(a) Upon a Change of Control of a Party (the “**Acquired Party**”) (including, for the sake of clarity, such Party’s assignment of this Agreement pursuant to Section 15.5(a)(1)), (a) the Acquired Party shall maintain the same level of diligence in performing its obligation under the Global Product Development Plan after the Change of Control as had been applied prior to the Change of Control, unless otherwise agreed by the Parties; and (b), [***]. Any option pursuant to clauses (b)(i) or (b)(ii), if applicable, must be exercised by such other Party by written notice to the Acquired Party no later than [***]. Any option pursuant to clause b(iii), if applicable, must be exercised by such other Party by written notice to the Acquired Party no later than [***].

(b) Until the earliest of the [***] of the Effective Date, the expiration or termination of this Agreement or MPI’s receipt of written notice from SGI that [***], SGI shall notify MPI [***]. [***]. Notwithstanding anything to the contrary in this Section 15.7(b) above, SGI’s notice under this Section 15.7(b) shall only be required to include [***]. [***].

15.8 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party’s obligations under this Agreement, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party’s Affiliate of any of such Party’s obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party’s Affiliate.

15.9 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

15.10 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is taken or by the arbitrators pursuant to an arbitration provided hereunder, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

15.11 No Waiver. Any delay in enforcing a Party’s rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party’s rights to the future enforcement of its rights under this Agreement, except with respect to an express written and signed waiver relating to a particular matter for a particular period of time.

15.12 Independent Contractors. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give either Party the power or authority to act for, bind, or commit the other Party in any way. Nothing herein shall be construed to create the relationship of partners, principal and agent, or joint-venture partners between the Parties.

15.13 English Language; Governing Law. This Agreement was prepared in the English language, which language shall govern the interpretation of, and any dispute regarding, the terms of this Agreement. This

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Agreement and all disputes arising out of or related to this Agreement or any breach hereof shall be governed by and construed under the laws of the State of New York, without giving effect to any choice of law principles that would require the application of the laws of a different jurisdiction.

15.14 Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT IN DUPLICATE ORIGINALS BY THEIR DULY AUTHORIZED OFFICERS TO BE EFFECTIVE AS OF THE EFFECTIVE DATE.

MILLENNIUM PHARMACEUTICALS, INC.

By: /s/ Deborah Dunsire

Name: Deborah Dunsire, M.D.

Title: President and CEO

SEATTLE GENETICS, INC.

By: /s/ Clay B. Siegall

Name: Clay B. Siegall

Title: President and CEO

EXHIBIT A
SGI PATENT RIGHTS

[***]

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT B

PRESS RELEASE



**For release: Tuesday, December 15, 2009
12:00 a.m. Pacific Time**

**SEATTLE GENETICS AND MILLENNIUM: THE TAKEDA ONCOLOGY COMPANY
ANNOUNCE STRATEGIC COLLABORATION FOR NOVEL LATE STAGE
LYMPHOMA PROGRAM BRENTUXIMAB VEDOTIN (SGN-35)**

—Seattle Genetics to receive \$60 million upfront payment and retain full commercialization rights to brentuximab vedotin in US and Canada; Takeda Group to commercialize in the rest of the world—

—Seattle Genetics to host conference call December 15, 2009 at 8:30 a.m. Eastern Time—

BOTHELL, Wash., CAMBRIDGE, Mass., and OSAKA, Japan, December 15, 2009 – Seattle Genetics, Inc. (Nasdaq: SGEN) and Millennium: The Takeda Oncology Company with its parent company Takeda Pharmaceutical Company Limited (TSE: 4502) today jointly announced that Seattle Genetics and Millennium have entered into an agreement to globally develop and commercialize brentuximab vedotin (SGN-35). Brentuximab vedotin is an antibody-drug conjugate (ADC) targeting CD30 that is in late-stage clinical trials for the treatment of relapsed and refractory Hodgkin lymphoma (HL) and systemic anaplastic large cell lymphoma (ALCL).

Data from a pivotal phase II trial of brentuximab vedotin in relapsed or refractory HL, which is fully enrolled, are expected in the second half of 2010. The trial is being conducted under a special protocol assessment with the U.S. Food and Drug Administration (FDA) and is designed to provide the basis for regulatory submissions in the United States and Europe in 2011.

Under the collaboration, Seattle Genetics will receive an upfront payment of \$60 million and retains full commercialization rights for brentuximab vedotin in the United States and Canada. The Takeda Group will have exclusive rights to commercialize the product candidate in all countries other than the United States and Canada. Seattle Genetics is entitled to receive progress- and sales-dependent milestone payments in addition to tiered double-digit royalties based on net sales of brentuximab vedotin within the Takeda Group's licensed territories. Milestone payments to Seattle Genetics could total more than \$230 million. Seattle Genetics and the Takeda Group will jointly fund worldwide development costs on a 50:50 basis. Development funding by the Takeda Group over the first three years of the collaboration is expected to be at least \$75 million. In Japan, the Takeda Group will be solely responsible for development costs.

“This collaboration aligns with our goal of rapidly bringing brentuximab vedotin to patients worldwide. Takeda is an ideal collaborator given its global presence, demonstrated commitment to oncology, and experience in the sales and marketing of first-in-class, targeted therapies for unmet medical needs,” said Clay B. Siegall, Ph.D., President and Chief Executive Officer, Seattle Genetics. “Our retention of full commercial rights in the U.S. and Canada along with the financial terms from this agreement gives us a strong basis to begin building a commercial infrastructure for the planned launch of brentuximab vedotin. We expect to utilize this infrastructure in the future for other product candidates in our pipeline.

“The addition of the late-stage product candidate brentuximab vedotin to our oncology development pipeline supports our mission to develop innovative new medicines where there is a high unmet need for patients,” said

Deborah Dunsire, M.D., President and CEO, Millennium. “This collaboration closely aligns with our growth strategy, which includes both internal and external opportunities. We are very excited to bring forward a novel medicine which will help us increase our reach in oncology throughout Europe and the rest of the world.”

ADCs are monoclonal antibodies that carry potent, cell-killing drugs targeted precisely to tumor cells. Seattle Genetics has developed proprietary technology employing synthetic, highly potent drugs that can be attached to antibodies through stable linker systems. The linkers are designed to be stable in the bloodstream and release the drugs under specific conditions once inside targeted cells. This approach is intended to spare non-targeted cells and thus reduce many of the toxic side effects of traditional chemotherapy. Earlier this year, Millennium obtained an exclusive license to Seattle Genetics’ ADC technology for an antigen expressed on solid tumors, as well as options for two other licenses.

About Brentuximab Vedotin

Brentuximab vedotin is an ADC targeting CD30 utilizing Seattle Genetics’ proprietary technology. Brentuximab vedotin is currently being investigated in patients with relapsed or refractory HL or systemic ALCL. Brentuximab vedotin has received orphan drug designation from the FDA and the European Medicines Agency for both HL and ALCL and has received Fast Track designation by the FDA for HL. In two separate phase I clinical trials, brentuximab vedotin achieved objective responses in greater than 50 percent of patients treated at higher dose levels, including greater than 30 percent with complete remissions. Brentuximab vedotin was generally well tolerated. The majority of adverse events were Grade 1 and 2, with the most clinically important events being fatigue, fever, peripheral neuropathy, diarrhea, nausea and neutropenia.

Conference Call Details

Seattle Genetics’ management will host a conference call and webcast to discuss the collaboration on December 15, 2009 at 5:30 a.m. Pacific Time (PT); 8:30 a.m. Eastern Time (ET). The live event will be available from Seattle Genetics’ website at www.seattlegenetics.com, under the Investors and News section, or by calling (877) 941-8632 (domestic) or (480) 629-9821 (international). The access code is 4193888. A replay of the discussion will be available beginning at approximately 7:30 a.m. PT on December 15, 2009 from Seattle Genetics’ website or by calling (800) 406-7325 (domestic) or (303) 590-3030 (international), using access code 4193888. The telephone replay will be available until approximately 8:00 a.m. PT on December 17, 2009.

About Seattle Genetics

Seattle Genetics is a clinical stage biotechnology company focused on the development and commercialization of monoclonal antibody-based therapies for the treatment of cancer and autoimmune disease. The company’s lead product candidate, brentuximab vedotin, is in a pivotal trial under a special protocol assessment with the FDA. In addition, Seattle Genetics has four other product candidates in ongoing clinical trials: lintuzumab (SGN-33), dacetuzumab (SGN-40), SGN-70 and SGN-75. Seattle Genetics has collaborations for its ADC technology with a number of leading biotechnology and pharmaceutical companies, including Genentech, Bayer, CuraGen, a subsidiary of Celldex Therapeutics, Progenics, Daiichi Sankyo, MedImmune, a subsidiary of AstraZeneca, and Millennium: The Takeda Oncology Company, as well as an ADC co-development agreement with Agensys, an affiliate of Astellas. More information can be found at www.seattlegenetics.com.

About Takeda Pharmaceutical Company Limited

Located in Osaka, Japan, Takeda is a research-based global company with its main focus on pharmaceuticals. As the largest pharmaceutical company in Japan and one of the global leaders of the industry, Takeda is committed to striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products. Additional information about Takeda is available through its corporate website, www.takeda.com

About Millennium

Millennium: The Takeda Oncology Company, a leading biopharmaceutical company based in Cambridge, Mass., markets a first-in-class proteasome inhibitor, and has a robust clinical development pipeline of product candidates. Millennium Pharmaceuticals, Inc. was acquired by Takeda Pharmaceutical Company Ltd. in May, 2008. The Company's research, development and commercialization activities are focused in oncology. Additional information about Millennium is available through its website, www.millennium.com

Forward-Looking Statements

Certain of the statements made in this press release are forward looking, such as those, among others, relating to the therapeutic potential and future clinical progress, regulatory approval and commercial launch of products utilizing Seattle Genetics' ADC technology, including brentuximab vedotin. Actual results or developments may differ materially from those projected or implied in these forward-looking statements, including the milestones or royalties to be received by Seattle Genetics as a result of this collaboration. Factors that may cause such a difference include risks related to adverse clinical results as our brentuximab vedotin or our collaborators' product candidates move into and advance in clinical trials, risks inherent in the regulatory approval process for pharmaceutical products and the risk that Seattle Genetics is not able to maintain the collaboration with the Takeda Group. More information about the risks and uncertainties faced by Seattle Genetics is contained in the Company's Form 10-Q for the quarter ended September 30, 2009 filed with the Securities and Exchange Commission. Seattle Genetics disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

###

Editors' Note: This press release is also available under the Media section of Millennium's website at www.millennium.com, and under the Investors and News section of Seattle Genetics' website at www.seattlegenetics.com.

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EXHIBIT C

[***]

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT D

LICENSED PRODUCT

SGN-35 as described in the USAN published “Statement on a Nonproprietary Name Adopted by the USAN Council” for Brentuximab Vedotin and related information in the USAN application for Brentuximab Vedotin

EXHIBIT E

[***]

[***] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

\$30,850,000,000

364-DAY BRIDGE CREDIT AGREEMENT

Dated as of May 8, 2018

among

TAKEDA PHARMACEUTICAL COMPANY LIMITED,
as Borrower,

VARIOUS FINANCIAL INSTITUTIONS,
as Lenders,

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

JPMORGAN CHASE BANK, N.A., SUMITOMO MITSUI BANKING CORPORATION and MUFG
BANK, LTD.,
as Lead Arrangers and Bookrunners

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364-DAY BRIDGE CREDIT AGREEMENT

This 364-Day Bridge Credit Agreement (this “Agreement”) dated as of May 8, 2018 is among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan (the “Borrower”), the Lenders (as defined below) that are parties hereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as defined below) for the Lenders.

RECITALS

WHEREAS, the Borrower intends to directly or indirectly acquire (the “Target Acquisition”) pursuant to the Offer Documents or Scheme Documents, as applicable (each as defined below) all of the outstanding shares of the Target which are subject to the Scheme or Takeover Offer (as the case may be), which acquisition will be effected pursuant to a Scheme or a Takeover Offer (each as defined below).

WHEREAS, in connection with the Target Acquisition, the Borrower has requested that the Lenders extend credit to the Borrower in the form of term loans in an aggregate principal amount not to exceed \$30,850,000,000 to be divided into the Tranche 1 Commitments, the Tranche 2 Commitments, the Tranche 3 Commitments and the Tranche 4 Commitments and with the proceeds to be applied towards the Certain Funds Purposes (as defined below).

IN CONSIDERATION THEREOF the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Acceptance Condition” means, in respect of a Takeover Offer, the condition to the Takeover Offer with respect to the number of acceptances to the Takeover Offer which must be secured to declare the Takeover Offer unconditional as to acceptances (as set out in the Offer Press Announcement).

“Administrative Agent” means JPMorgan Chase Bank, N.A. (including its branches and affiliates), in its capacity as administrative agent for the Lenders hereunder, together with any successor thereto appointed pursuant to Article VII, the “Administrative Agent”.

“Administrative Agent’s Office” means the Administrative Agent’s address as set forth on Schedule II, or such other address as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an administrative questionnaire in the form supplied by the Administrative Agent.

“Advance” means a Tranche 1 Advance, a Tranche 2 Advance, a Tranche 3 Advance or a Tranche 4 Advance, as appropriate.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under

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common control with”) of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

“Agent Parties” has the meaning set forth in Section 9.02(c).

“Agents” means, collectively, the Administrative Agent and the Arrangers.

“Agreement” has the meaning set forth in the introduction hereto.

“Agreement Currency” has the meaning set forth in Section 9.16.

“Agreement Value” means, with respect to any Hedge Agreement at any date of determination, the amount, if any, that would be payable to any counterparty thereunder in respect of the “agreement value” under such Hedge Agreement if such Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Anti-Social Conduct” means (i) a demand and conduct with force and arms; (ii) an unreasonable demand and conduct having no legal cause; (iii) threatening or committing violent behavior relating to its business transactions; (iv) an action to defame the reputation or interfere with the business of any Lender by spreading rumor, using fraudulent means or resorting to force; or (v) other actions similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Group” means (i) an organized crime group (as defined in the Law relating to Prevention of Unjustifiable Acts by Gang Members of Japan (Law No. 77 of 1991, as amended)); (ii) a member of an organized crime group; (iii) a person who used to be a member of an organized crime group but has only ceased to be a member of an organized crime group for a period of less than 5 years; (iv) quasi-member of an organized crime group; (v) a related or associated company of an organized crime group; (vi) a corporate racketeer or blackmailer advocating social cause or a special intelligence organized crime group; or (vii) a member of any other criminal force similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Relationship” means in relation a Person, (i) an Anti-Social Group controls its management; (ii) an Anti-Social Group is substantively involved in its management; (iii) it has entered into arrangements with an Anti-Social Group for the purpose of, or which have the effect of, unfairly benefiting itself or a third party or prejudicing a third party; (iv) it is involved in the provision of funds or other benefits to an Anti-Social Group; or (v) any of its directors or any other person who is substantively involved in its management has a socially objectionable relationship with an Anti-Social Group.

“Applicable Creditor” has the meaning set forth in Section 9.16.

“Applicable Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Applicable Lending Office” or similar concept in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office, branch, Subsidiary or affiliate of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

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“Applicable Margin” means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

	<u>Public Debt Rating S&P/Moody’s</u>	<u>Applicable Margin</u>
Level 1:	A+/A1 or above	0.750%
Level 2:	Less than Level 1 but at least A/A2	0.875%
Level 3:	Less than Level 2 but at least A-/A3	1.00%
Level 4:	Less than Level 3 but at least BBB+/Baa1	1.125%
Level 5:	Less than Level 4 but at least BBB/Baa2	1.25%
Level 6:	Less than Level 5	1.50%

Notwithstanding anything to the contrary herein, the Applicable Margin at each of the above Levels shall increase by 0.25% per annum on the date that is three months after the Closing Date and by an additional 0.25% per annum at the end of each three-month period thereafter.

“Applicable Percentage” means, in the case of the commitment fee paid pursuant to Section 2.04(a), as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

	<u>Public Debt Rating S&P/Moody’s</u>	<u>Applicable Percentage</u>
Level 1:	A+/A1 or above	0.070%
Level 2:	Less than Level 1 but at least A/A2	0.080%
Level 3:	Less than Level 2 but at least A-/A3	0.090%
Level 4:	Less than Level 3 but at least BBB+/Baa1	0.100%
Level 5:	Less than Level 4 but at least BBB/Baa2	0.125%
Level 6:	Less than Level 5	0.175%

“Arrangers” means JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd.

“Asset Sale” means the sale or other disposition by a member of the Consolidated Group of assets of the Consolidated Group (including the sale of Equity Interests of any Subsidiary of a member of the Consolidated Group or pursuant to any casualty or condemnation proceeding).

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit B hereto (or such other form as is agreed upon by the Borrower and the Administrative Agent).

“Availability Period” means, with respect to each Class, the period starting on the Closing Date and ending on the Commitment Termination Date for such Class.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

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“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowed Debt” means any Debt for money borrowed, including loans, hybrid securities, debt convertible into Equity Interests and any Debt represented by notes, bonds, debentures or other similar evidences of Debt for money borrowed.

“Borrower” has the meaning set forth in the recitals of this Agreement.

“Borrower Materials” has the meaning specified in Section 5.01.

“Borrowing” means a borrowing consisting of simultaneous Advances of the same Type and Class made by each of the Lenders to the Borrower pursuant to Section 2.01.

“Borrowing Minimum” means \$50,000,000.

“Borrowing Multiple” means \$5,000,000.

“Bridge Facility” means the Commitments and any Advances made thereunder.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, New York City, Tokyo or London.

“CERCLIS” means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

“Certain Funds Default” means an Event of Default arising from any of the following (other than in respect of any Subsidiary of the Borrower, the Target or any Subsidiary of the Target, or a breach of a procurement obligation with respect to any Subsidiary of the Borrower, the Target or any Subsidiary of the Target):

- (i) Section 6.01(a) (in so far as it relates to payment of principal and/or interest or payment of fees pursuant to paragraphs 1(i), (ii), (iii) and (iv) of the Fee and Syndication Letter only);
- (ii) Section 6.01(b) as it relates to a Certain Funds Representation;
- (iii) Section 6.01(c) as it relates to the failure to perform any of the following covenants: (A) Sections 5.01(d)(i) or (j) (other than paragraph (ix), (x) and (xii) thereof) or (B) Sections 5.02(a), (b) or (d);
- (iv) Section 6.01(e) in relation to the Borrower, but excluding, in relation to involuntary proceedings referenced therein, any Event of Default caused by a frivolous or vexatious action, proceeding or petition in respect of which no order or decree in respect of such involuntary proceeding shall have been entered; or
- (v) Section 6.01(i).

“Certain Funds Period” means the period commencing on the Effective Date and ending on the earlier of (i) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists or (ii) if the Borrower has served written notice to the Administrative Agent in accordance with the definition of Commitment Termination Date to extend the Commitment Termination Date to the date that is 60 days after the Closing Date so that up to \$2,100,000,000 Tranche 1 Commitments, Tranche 2 Commitments and/or Tranche 3 Commitments remain outstanding until such date, the date that is 60 days after the Closing Date.

“Certain Funds Purposes” means:

- (i) where the Target Acquisition proceeds by way of a Scheme:
 - (a) payment (directly or indirectly) of the cash price payable by the Borrower to the holders of the Scheme Shares in consideration of the acquisition of such Scheme Shares pursuant to the Scheme;

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- (b) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (c) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (d) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect); or
- (ii) where the Target Acquisition proceeds by way of a Takeover Offer:
- (a) payment (directly or indirectly) of all or part of the cash price payable by the Borrower to the holders of the Target Shares subject to the Takeover Offer in consideration of the acquisition of such Target Shares pursuant to the Takeover Offer;
 - (b) payment (directly or indirectly) of the cash consideration payable to the holders of Target Shares pursuant to the operation by Borrower of the procedures contained in Articles 117 and 121 of the Jersey Companies Law;
 - (c) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (d) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (e) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect).

“Certain Funds Representations” means each of the following: (1) Sections 4.01(a), (b)(i), (b)(ii) and (b)(iii); (2) Section 4.01(c) and (d); (3) Section 4.01(q); and (4) Section 4.01(t), (u)(ii) and (v) (but only to the extent they relate to the then current actual method of the Target Acquisition), in each case only insofar as it relates to the Borrower (excluding, for the avoidance of doubt, any Subsidiary of the Borrower, Target or any Subsidiary of Target).

“Charges” has the meaning specified in Section 9.19.

“City Code” means the City Code on Takeovers and Mergers applicable, inter alia, to takeovers of listed companies in the United Kingdom and to Jersey listed companies pursuant to the Companies (Takeovers and Mergers Panel) (Jersey) Law 2009.

“Class” when used in reference to any Advance or Borrowing, refers to whether such Advance, or the Advances comprising such Borrowing, are Tranche 1 Advances, Tranche 2 Advances, Tranche 3 Advances or Tranche 4 Advances. When used in reference to any Commitment, “Class” refers to whether such Commitment is a Tranche 1 Commitment, a Tranche 2 Commitment, Tranche 3 Commitment or a Tranche 4 Commitment.

“Clean-up Date” has the meaning set forth in Section 6.01.

“Closing Date” means the date on which each of the conditions set forth in Section 3.02 have been satisfied (or waived in accordance with Section 9.01).

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, the Tranche 1 Commitments, the Tranche 2 Commitments, the Tranche 3 Commitments and the Tranche 4 Commitments.

“Commitment Termination Date” means the earlier of (a) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists; provided that, if the Closing Date has occurred prior to the date described in this clause (a), up to \$2,100,000,000 of Tranche 1 Commitments, Tranche 2 Commitments

and/or Tranche 3 Commitments shall remain outstanding until the date that is 60 days after the Closing Date if so elected by the Borrower by written notice to the Administrative Agent prior to the Closing Date and (b) the date on which the applicable Class of Commitments is terminated in full in accordance with Section 2.05 or, subject to Section 3.04, Section 6.01.

“Consolidated” refers to the consolidation of accounts in accordance with IFRS.

“Consolidated EBITDA” means, for any fiscal period, the Consolidated net profit of the Consolidated Group for such period determined in accordance with IFRS plus the following, to the extent deducted in calculating such Consolidated net profit: (a) the provision for Federal, state, local and foreign taxes based on income, profits, revenue, business activities, capital or similar measures payable by the Consolidated Group in each case, as set forth on the financial statements of the Consolidated Group, (b) share of loss of investments accounted for using the equity method, (c) Consolidated Interest Expense and dividend expense, (d) any losses (including all fees and expenses or charges relating thereto) on the retirement of debt, (e) any extraordinary, unusual, nonrecurring or non-cash impairments, charges, expenses or losses (including impairments, charges, fees, expenses and losses incurred in connection with the Transactions or any issuance of Debt or equity, acquisitions, investments, restructuring activities, asset sales or divestitures permitted hereunder, purchase accounting effects, derivatives transactions and other finance expenses and other operating expenses), (f) non-cash stock option expenses, non-cash equity-based compensation and/or non-cash expenses related to stock-based compensation, (g) any foreign currency exchange losses, (h) losses (including all fees and expenses or charges relating thereto) on sales of assets outside of the ordinary course of business and losses from discontinued operations and (i) depreciation and amortization expense and minus, to the extent included in calculating such Consolidated net profit for such period, the sum of (i) share of profit of investments accounted for using the equity method, (ii) interest and dividend income, (iii) any gains (less all fees and expenses or charges relating thereto) on the retirement of debt, (iv) any extraordinary, unusual, nonrecurring or non-cash income (including other finance income), (v) gains (less all fees and expenses or charges relating thereto) on the sales of assets outside of the ordinary course of business and gains from discontinued operations (without duplication of any amounts added back in clause (a) of this definition) and (vi) any foreign currency exchange gains, all as determined on a Consolidated basis. Consolidated EBITDA will be calculated on a pro forma basis as if the Transactions and any related incurrence or repayment of Debt by any member of the Consolidated Group had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately succeeding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately succeeding sentence). In addition, in the event that any member of the Consolidated Group acquired or disposed of any Person, business unit or line of business or made any investment during the relevant period, Consolidated EBITDA will be determined giving pro forma effect to such acquisition, disposition or investment as if such acquisition, disposition or investment and any related incurrence or repayment of Debt had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other

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cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately preceding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately preceding sentence).

“Consolidated Group” means, prior to the consummation of the Target Acquisition, the Borrower and its Subsidiaries (excluding the Target and its Subsidiaries) and thereafter, the Borrower and its Subsidiaries (including the Target and its Subsidiaries).

“Consolidated Interest Expense” means, for any fiscal period, the total interest expense of the Consolidated Group on a Consolidated basis determined in accordance with IFRS, including the imputed interest component of capitalized lease obligations during such period, and all commissions, discounts and other fees and charges owed with respect to letters of credit, if any, and net costs under Hedge Agreements; provided that if any member of the Consolidated Group acquired or disposed of any Person or line of business during the relevant period (including for the avoidance of doubt the Transactions), Consolidated Interest Expense will be determined giving pro forma effect to any incurrence or repayment of Debt related to such acquisition or disposition as if such incurrence or repayment of Debt had occurred on the first day of the relevant period.

“Consolidated Net Assets” means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities, as set forth on the Consolidated balance sheet of the Consolidated Group most recently furnished to the Lenders pursuant to Section 5.01(i)(ii) prior to the time as of which Consolidated Net Assets shall be determined.

“Consolidated Net Debt” means, as of any date of determination, the aggregate amount of Borrowed Debt of the Consolidated Group determined on a Consolidated basis as of such date, minus all unrestricted cash and cash equivalents of the Consolidated Group.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Conversion”, “Convert”, or “Converted” each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08 or 2.12.

“Cost of Funds Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(i).

“Cost of Funds Rate” means the weighted average of the rates notified to the Administrative Agent by each Lender as soon as practicable and in any event not later than 10:00 A.M. (Tokyo time) one Business Day prior to the first day of the Interest Period applicable to a Cost of Funds Advance (or, if earlier, 10:00 A.M. (Tokyo time) in the date falling one Business Day before the date on which interest is due to be paid in respect of such Advance), to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its Advance from whatever source it may reasonably select; provided that if any Lender does not supply a quotation by the time specified in this definition, the Cost of Funds Rate shall be calculated on the basis of the quotations of the other Lenders that have so supplied a quotation.

“Court” means the Royal Court of Jersey.

“Court Meeting” means the meeting or meetings of Scheme Shareholders (or any adjournment thereof) to be convened by order of the Court under Article 125(1) of the Jersey Companies Law for the purposes of considering and, if thought fit, approving the Scheme.

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“Court Order” means the Act of Court sanctioning the Scheme under Article 125(2) of the Jersey Companies Law.

“Credit Party” means the Administrative Agent or any Lender.

“Debt” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services that would appear as a liability on the balance sheet of such Person prepared in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with IFRS, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below directly guaranteed in any manner by such Person, or the payment of which is otherwise provided for by such Person, and (i) all Debt referred to in clauses (a) through (h) above secured by any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; provided, however, that the amount of such Debt will be the lesser of (x) the fair market value of such asset at such date of determination and (y) the amount of such other Debt.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement specified in Article VI that notice be given or time elapse or both.

“Default Interest” has the meaning specified in Section 2.07(b).

“Defaulting Lender” means, subject to Section 2.19(b), any Lender that (a) has failed to (i) fund all or any portion of its Advances within two Business Days of the date such Advances were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund an Advance hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state

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or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.19(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Disclosure Letter” means that certain Disclosure Letter dated as of the Effective Date from the Borrower to the Arrangers.

“Dollars” and the “\$” sign each means lawful currency of the United States.

“EEA Financial Institution” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date” means the date on which the conditions set forth in Section 3.01 are satisfied (or waived in accordance with Section 9.01).

“Eligible Assignee” means (a) a Lender; (b) an Affiliate of a Lender; (c) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (d) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); and (e) any other Person approved by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, by the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that no Defaulting Lender (or Person who would be a Defaulting Lender upon becoming a Lender) nor the Borrower nor any Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

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“Environmental Law” means any applicable federal, state, local or foreign statute; law (including common law); ordinance; rule; regulation; code; final and binding court order, judgment, decree or judicial or agency interpretation, policy or guidance; or agency order relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations promulgated thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code.

“ERISA Event” means:

(a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Single Employer Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are being met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Single Employer Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days unless the 30-day notice requirement has been waived by the PBGC;

(b) the application for a minimum funding waiver with respect to a Single Employer Plan;

(c) the termination of or provision of a notice of intent to terminate any Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA) or otherwise so as to incur liability of the Borrower or any ERISA Affiliate under Title IV of ERISA (other than premiums due to the PBGC);

(d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA;

(e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA;

(f) the conditions for the imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or

(g) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of a Plan, or the appointment of a trustee to administer a Single Employer Plan or Multiple Employer Plan.

“Escrow Account” means any account established for the purpose of depositing funds prior to their being applied towards Certain Funds Purposes.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Eurocurrency Liabilities” has the meaning specified in Regulation D of the Board, as in effect from time to time.

“Eurocurrency Rate” means the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for Dollars for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters Screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case, the “Screen Rate”) at approximately 11:00 A.M., London time on the Quotation Day for such Interest Period; provided that if the Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that, if the Screen Rate shall not be available at such time for such Interest Period (an “Impacted Interest Period”) with respect to Dollars, then the Eurocurrency Rate shall be the Interpolated Rate at such time; provided that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. “Interpolated Rate” means, at any time, the rate per annum determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the Screen Rate for the longest period (for which that Screen Rate is available in Dollars) that is shorter than the Impacted Interest Period and (b) the Screen Rate for the shortest period (for which that Screen Rate is available for Dollars) that exceeds the Impacted Interest Period, in each case, at such time; provided further that if no Screen Rate is available for Dollars, the Eurocurrency Rate shall be the Reference Bank Rate.

“Eurocurrency Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(ii).

“Eurocurrency Rate Reserve Percentage” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Conduct Authority, the Prudential Regulation Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall include those imposed pursuant to Eurocurrency Liabilities. Eurocurrency Rate Advances shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Eurocurrency Liabilities. The Eurocurrency Rate Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“Events of Default” has the meaning specified in Section 6.01.

“Excluded Taxes” has the meaning specified in Section 2.14(a).

“Existing Target Indebtedness” means indebtedness of the Target existing on the Closing Date.

“FATCA” means (a) Sections 1471 to 1474 of the Code or any associated regulations, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the United States government or any governmental or taxation authority in any other jurisdiction.

“Fee and Syndication Letter” means that certain Fee and Syndication Letter, dated as of the date hereof, by and among the Borrower and the Arrangers.

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“FIEA” means the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).

“Foreign Exchange Act” means the Foreign Exchange and Foreign Trade Act of Japan (Law No. 59 of 2009, as amended).

“GAAP” means generally accepted accounting principles as in effect in the United States from time to time.

“General Meeting” means the extraordinary general meeting of the holders of Target Shares (or any adjournment thereof) to be convened in connection with the implementation of a Scheme.

“Governmental Authority” means the government of Japan, the United States of America, or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Hazardous Materials” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as “hazardous” or “toxic” or as a “pollutant” or “contaminant” or for which liability may be imposed, under any Environmental Law.

“Hedge Agreements” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“IFRS” means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the Effective Date.

“Impacted Interest Period” has the meaning provided in the definition of “Eurocurrency Rate”.

“Indemnified Party” has the meaning specified in Section 9.04(b).

“Information” has the meaning specified in Section 9.08.

“Initial Lender” has the meaning specified in the definition of “Lenders”.

“Interest Period” means, for each Advance comprising part of the same Borrowing, the period commencing on the date of such Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, with respect to any Borrowing made less than one month prior to the Maturity Date for the applicable Class, the period commencing on the date of such Borrowing and ending on the Maturity Date (subject to availability)), as the Borrower may, upon written notice received by the Administrative Agent not later than 9:00 A.M. (Tokyo time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period with respect to any Class that ends after the Maturity Date for such applicable Class;

(b) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Borrowing shall be of the same duration (it being understood that the Borrower shall be permitted to make multiple Borrowings consisting of Eurocurrency Rate Advances on the same date, each of which may be of different durations);

(c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding

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Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next succeeding calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and

(d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Interpolated Rate” has the meaning specified in the definition of “Eurocurrency Rate”.

“Jersey Companies Law” means the Companies (Jersey) Law 1991.

“Judgment Currency” has the meaning set forth in Section 9.16.

“Lenders” means, collectively, (a) each bank, financial institution and other institutional lender listed on the signature pages hereof (each, an “Initial Lender”) and (b) each Eligible Assignee that shall become a party hereto pursuant to Section 9.07(a), (b) and (c). Each Lender shall have a license required to engage in the business of lending money in Japan.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, intended as a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“Loan Documents” means this Agreement and any amendments, notes or notices entered into in connection herewith.

“Long Stop Date” means the date falling 12 months after the date of this Agreement; provided that such date may be extended if and to the extent that (i) any condition in paragraphs 4(c) to (i) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Original Offer Press Announcement) has not been satisfied by the date falling 12 months after the date of this Agreement; (ii) the Long Stop Date (as defined in the Original Offer Press Announcement) has also been extended (with the Target having consented, to the extent required, to any such extension) and (iii) such date shall not be extended beyond the date falling 15 months after the date of this Agreement.

“Losses” has the meaning specified in Section 9.04(b).

“Mandatory Cancellation Event” means the occurrence of any of the following conditions or events:

(i) where the Target Acquisition proceeds by way of a Scheme:

(a) the Court Meeting is held (and not adjourned or otherwise postponed) to approve the Scheme at which a vote is held to approve the Scheme, but the Scheme is not so approved in accordance with Article 125(2) of the Jersey Companies Law by the requisite majority of the Scheme Shareholders at such Court Meeting;

(b) the General Meeting is held (and not adjourned or otherwise postponed) to pass the Scheme Resolutions at which a vote is held on the Scheme Resolutions, but the Scheme Resolutions are not passed by the requisite majority of the shareholders of Target at such General Meeting;

(c) an application for the issuance of the Court Order is made to the Court (and not adjourned or otherwise postponed) but the Court (in its final judgment) refuses to grant the Court Order;

(d) either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court; or

(e) the date which is 15 days after the Scheme Effective Date;

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unless, in respect of paragraphs (a) to (d) inclusive above, for the purpose of switching from a Scheme to a Takeover Offer, within 5 Business Days of such event the Borrower has notified the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, an Offer Press Announcement and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred);

(ii) where the Target Acquisition proceeds by way of a Takeover Offer:

(a) such Takeover Offer lapses, terminates or is withdrawn unless, for the purpose of switching from a Takeover Offer to a Scheme, within 5 Business Days of such event the Borrower has notified the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, a Scheme Press Release and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred); or

(b) the date which is six weeks after the date (or to the extent necessary to address a minority shareholder's application to Court in protest thereof and written notice is provided to the Administrative Agent on or prior to the end of such initial six week period, twelve weeks after the date) that the Borrower serves notice under Article 117 of the Jersey Companies Law to buy out minority shareholders;

(iii) the date upon which all payments made or to be made for Certain Funds Purposes have been paid in full in cleared funds (such date, the "Final Certain Funds Payment Date"); or

(iv) the date which is 15 days after the Long Stop Date.

"Margin Stock" has the meaning provided in Regulation U.

"Maximum Rate" has the meaning specified in Section 9.19.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Borrower or the Consolidated Group taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under this Agreement, taken as a whole, or (c) the ability of the Borrower to perform its or their payment obligations under this Agreement.

"Maturity Date" means (i) in the case of Tranche 1 Advances, Tranche 2 Advances and Tranche 3 Advances, the date that is 364 calendar days following the Closing Date, or, if the date that is 364 calendar days following the Closing Date is not a Business Day, the Business Day immediately preceding the date that is 364 calendar days following the Closing Date, or (ii) in the case of Tranche 4 Advances, the date that is 90 calendar days following the Closing Date, or, if the date that is 90 calendar days following the Closing Date is not a Business Day, the Business Day immediately preceding the date that is 90 calendar days following the Closing Date.

"Moody's" means Moody's Investors Service, Inc. (or any successor thereof).

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the excess, if any, of (i) the cash received in connection therewith (including any cash received by way of deferred payment pursuant to, or by monetization of, a note

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receivable or otherwise, but only as and when so received) over (ii) the sum of (A) payments made to retire any Debt that is secured by such asset and that is required to be repaid in connection with the sale thereof (other than Advances), (B) the fees and expenses incurred by the Consolidated Group in connection therewith, (C) taxes paid or reasonably estimated to be payable by the Consolidated Group in connection with such transaction, and (D) the amount of reserves established by the Consolidated Group in good faith and pursuant to commercially reasonable practices for adjustment in respect of the sale price of such asset or assets in accordance with IFRS, provided that if the amount of such reserves exceeds the amounts charged against such reserves, then such excess, upon the determination thereof, shall then constitute Net Cash Proceeds; provided that if no Event of Default exists and the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer of the Borrower to the Administrative Agent promptly following receipt of any such proceeds setting forth the Consolidated Group's intention to use any portion of such proceeds to acquire, maintain, develop, construct, improve, upgrade or repair tangible or intangible assets useful in the business of the Consolidated Group, in each case within the Reinvestment Period, such portion of such proceeds shall not constitute Net Cash Proceeds except to the extent not, within the Reinvestment Period, so used;

(b) with respect to the incurrence, issuance, offering or placement of Borrowed Debt, the excess, if any, of (i) cash received by the Consolidated Group in connection with such incurrence, issuance, offering or placement over (ii) the sum of (A) payments made to retire any Debt that is required to be repaid in connection with such issuance, offering or placement (other than Advances), and (B) the underwriting discounts and commissions and other fees and expenses incurred by the Consolidated Group in connection with such issuance, offering or placement; and

(c) with respect to the issuance of Equity Interests, the excess of (i) the cash received in connection with such issuance over (ii) the underwriting discounts and commissions and other fees and expenses incurred by the Consolidated Group in connection with such issuance.

"New Term Loans" means term loans under any new senior unsecured term loan facility incurred by the Borrower and identified by the Borrower as to be used for Certain Funds Purposes.

"Non-Consenting Lender" has the meaning specified in Section 9.01(c).

"Non-Defaulting Lender" means, at any time, a Lender that is not a Defaulting Lender.

"Notice" has the meaning specified in Section 9.02(d).

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"NPL" means the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"OFAC" means the U.S. Treasury Department's Office of Foreign Assets Control.

"Offer Documents" means the Takeover Offer Document and the Offer Press Announcement.

"Offer Press Announcement" means a press announcement released by or on behalf of the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Takeover Offer and setting out the terms and conditions of the Takeover Offer.

"Original Offer Press Announcement" has the meaning specified in Section 5.01(j)(i).

"Original Scheme Press Release" has the meaning specified in Section 5.01(j)(i).

"Other Connection Taxes" means, with respect to the Administrative Agent or any Lender, Taxes imposed as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction imposing such Tax (other than connections arising from the Administrative Agent or such

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Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document).

“Other Taxes” has the meaning specified in Section 2.14(b).

“Panel” means the Panel on Takeovers and Mergers.

“Participant Register” has the meaning specified in Section 9.07(e).

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor thereto).

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

“Platform” has the meaning specified in Section 5.01(i).

“Pro Forma Financials” has the meaning provided in Section 3.02(g).

“Projections” means any projections and any forward looking statements (including statements with respect to booked business) of the Consolidated Group furnished to the Lenders or the Administrative Agent by or on behalf of the Borrower prior to the Closing Date.

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“Public Debt Rating” means, as of any date and subject to the provisions of the next succeeding sentence, the lowest rating that has been most recently announced by each of S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing: (a) if only one of S&P and Moody’s shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin shall be determined by reference to the available rating; (b) if neither S&P nor Moody’s shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin shall be set in accordance with Level 6 under the definition of Applicable Percentage or Applicable Margin, as the case may be; (c) if the ratings established by S&P and Moody’s shall fall within different levels, the Applicable Percentage and the Applicable Margin shall be based upon the higher of such ratings, except that, in the event that the lower of such ratings is more than one level below the higher of such ratings, the Applicable Percentage and the Applicable Margin shall be based upon the level immediately above the lower of such ratings; (d) if any rating established by S&P or Moody’s shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody’s shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody’s, as the case may be, shall refer to the then equivalent rating by S&P or Moody’s, as the case may be.

“Public Lender” has the meaning set forth in Section 5.01.

“Qualifying Committed Financing” means any committed but unfunded securities or loan facility (including any amendment to an existing loan facility), including, without limitation, the New Term Loans, identified by the Borrower as to be used for Certain Funds Purposes which has conditions to availability of funds thereunder that are no more restrictive to the borrower thereunder than the conditions precedent set forth in Sections 3.02 and 3.03 and the terms and conditions cross-referenced in these Sections.

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“Quotation Day” means with respect to any Interest Period, two Business Days prior to the first day of such Interest Period, unless market practice differs in the London interbank market for Dollars, in which case the Quotation Day shall be determined by the Administrative Agent in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day shall be the last of those days).

“Reference Bank Rate” means the arithmetic mean of the rates (rounded upwards to four decimal places) supplied to the Administrative Agent at its request by the Reference Banks (as the case may be) as of the applicable time on the Quotation Day for Advances in the applicable currency and the applicable Interest Period as the rate at which the relevant Reference Bank could borrow funds in the London (or other applicable) interbank market in the relevant currency and for the relevant period, were it to do so by asking for and then accepting interbank offers in reasonable market size in that currency and for that period.

“Reference Banks” means such banks as may be appointed by the Administrative Agent (and agreed by such bank) in consultation with the Borrower.

“Register” has the meaning specified in Section 9.07(d).

“Registrar” means the Registrar of Companies for Jersey.

“Reinvestment Period” means, with respect to any Net Cash Proceeds received in connection with any Asset Sale, the period of six months following the receipt of such Net Cash Proceeds; provided that, in the event that, during such six-month period, a member of the Consolidated Group enters into a binding commitment to reinvest any Net Cash Proceeds, the Reinvestment Period with respect to such Net Cash Proceeds shall be the period of 227 days following the receipt of such Net Cash Proceeds.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“Required Lenders” means, at any time, Lenders holding more than 50% of the unused Commitments and aggregate outstanding principal amount of Advances at such time; provided that the Commitment of, and the Advances held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Resignation Effective Date” has the meaning provided in Section 7.06(a).

“Responsible Officer” means, with respect to the Borrower, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Head of Corporate Law, Japan Legal and the General Counsel of the Borrower (or other executive officer of the Borrower performing similar functions) or any other officer of the Borrower responsible for overseeing or reviewing compliance with this Agreement.

“Restricted Margin Stock” means Margin Stock owned by the Consolidated Group the value of which (determined as required under clause 2(i) of the definition of “Indirectly Secured” set forth in Regulation U) represents not more than 25% of the aggregate value (determined as required under clause (2)(i) of the definition of “Indirectly Secured” set forth in Regulation U), on a consolidated basis, of the property and assets of the Consolidated Group (excluding any Margin Stock) that is subject to the provisions of Section 5.02(a) or (b).

“S&P” means Standard & Poor’s Financial Services LLC (or any successor thereof).

“Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of comprehensive Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the Ministry of Finance of Japan,

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the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom, any relevant and applicable European Union member state or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b) or (d) any Person otherwise the subject of any Sanctions.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, (b) the Japanese government, including those imposed under the Foreign Exchange Act and the Import Trade Control Order of Japan (Cabinet Order No. 414 of 1949, as amended) or (c) the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or any relevant and applicable European Union member state or other relevant sanctions authority.

“Scheme” means a scheme of arrangement to be effected under Article 125 of the Jersey Companies Law between Target and the Scheme Shareholders pursuant to which the Borrower will become the holder of all of the Scheme Shares in accordance with the Scheme Documents, subject to such changes and amendments to the extent not prohibited by the Loan Documents.

“Scheme Circular” means the document issued by or on behalf of Target to the Scheme Shareholders setting out the terms and conditions of and an explanatory statement in relation to the Scheme, stating the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of Target and setting out the notices of the Court Meeting and the General Meeting as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Scheme Documents” means, collectively (a) the Scheme Press Release, (b) the Scheme Circular, (c) the Scheme Resolutions and (d) any other document issued by or on behalf of Target to its shareholders in respect of the Scheme and any other document designated as a “Scheme Document” by the Administrative Agent and the Borrower.

“Scheme Effective Date” means the date on which the Court Order sanctioning the Scheme is duly delivered on behalf of Target to the Registrar in accordance with Article 125(3) of the Jersey Companies Law.

“Scheme Press Release” means a press announcement released by the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Scheme and setting out the terms and conditions of the Scheme.

“Scheme Resolutions” means the resolutions of the shareholders of Target which are required to implement the Scheme and which are referred to and substantially in the form set out in the Scheme Circular and which are to be proposed at the General Meeting.

“Scheme Shareholders” means the registered holders of Scheme Shares at the relevant time.

“Scheme Shares” means the Target Shares which are subject to the Scheme in accordance with its terms.

“Screen Rate” has the meaning set forth in the definition of “Eurocurrency Rate”.

“Service of Process Agent” means CT Corporation Systems, 111 Eighth Avenue, 13th Floor, New York, New York 10011.

“Significant Subsidiary” means any Subsidiary of the Borrower that constitutes a “significant subsidiary” under Regulation S-X promulgated by the Securities and Exchange Commission, as in effect from time to time.

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“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Subsidiary” means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Takeover Offer” means a “takeover offer” within the meaning of Article 116(1) of the Jersey Companies Law proposed to be made by the Borrower to acquire (directly or indirectly) Target Shares, substantially on the terms and conditions set out in an Offer Press Announcement (as such offer may be amended in any way which is not prohibited by the terms of the Loan Documents).

“Takeover Offer Document” means the document issued by or on behalf of the Borrower and dispatched to shareholders of Target in respect of a Takeover Offer containing the terms and conditions of the Takeover Offer reflecting the Offer Press Announcement in all material respects as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Target” means Shire plc.

“Target Acquisition” means the direct or indirect acquisition, pursuant to the Offer Documents or Scheme Documents, as applicable, of the Target Shares, which acquisition will be effected pursuant to a Scheme or Takeover Offer.

“Target Shares” means all of the issued and to be issued ordinary shares in the capital of the Target (including any issued pursuant to the exercise of any options or awards or other instruments convertible into or exchangeable for shares of the Target).

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including back-up withholdings), assessments, fees or other like charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Tranche 1 Advance” means an advance by a Lender pursuant to its Tranche 1 Commitment to the Borrower as part of a Borrowing.

“Tranche 1 Commitment” means as to any Lender, the commitment of such Lender to make an Advance pursuant to Section 2.01(a), as such commitment may be reduced from time to time pursuant to the terms hereof. The initial amount of each Lender’s Tranche 1 Commitment is (a) the amount set forth in the column labeled “Tranche 1 Commitment” opposite such Lender’s name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Tranche 1 Commitments is \$15,350,000,000 as such amount may be reduced in accordance with Section 2.05 or 6.01.

“Tranche 2 Advance” means an advance by a Lender pursuant to its Tranche 2 Commitment to the Borrower as part of a Borrowing.

“Tranche 2 Commitment” means as to any Lender, the commitment of such Lender to make an Advance pursuant to Section 2.01(b), as such commitment may be reduced from time to time pursuant to the

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terms hereof. The initial amount of each Lender's Tranche 2 Commitment is (a) the amount set forth in the column labeled "Tranche 2 Commitment" opposite such Lender's name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Tranche 2 Commitments is \$4,500,000,000 as such amount may be reduced in accordance with Section 2.05 or 6.01.

"Tranche 3 Advance" means an advance by a Lender pursuant to its Tranche 3 Commitment to the Borrower as part of a Borrowing.

"Tranche 3 Commitment" means as to any Lender, the commitment of such Lender to make an Advance pursuant to Section 2.01(c), as such commitment may be reduced from time to time pursuant to the terms hereof. The initial amount of each Lender's Tranche 3 Commitment is (a) the amount set forth in the column labeled "Tranche 3 Commitment" opposite such Lender's name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Tranche 3 Commitments is \$7,500,000,000 as such amount may be reduced in accordance with Section 2.05 or 6.01.

"Tranche 4 Advance" means an advance by a Lender pursuant to its Tranche 4 Commitment to the Borrower as part of a Borrowing.

"Tranche 4 Commitment" means as to any Lender, the commitment of such Lender to make an Advance pursuant to Section 2.01(d), as such commitment may be reduced from time to time pursuant to the terms hereof. The initial amount of each Lender's Tranche 4 Commitment is (a) the amount set forth in the column labeled "Tranche 4 Commitment" opposite such Lender's name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Tranche 4 Commitments is \$3,500,000,000 as such amount may be reduced in accordance with Section 2.05 or 6.01.

"Transactions" means the Target Acquisition, the entry into this Agreement and the transactions contemplated hereby, the borrowings by the Borrower under each of the Tranche 1 Commitments, the Tranche 2 Commitments, the Tranche 3 Commitments and the Tranche 4 Commitments, and in each case, related fees costs and expenses.

"Type" refers to a Cost of Funds Rate Advance or a Eurocurrency Rate Advance.

"United States" and "U.S." each means the United States of America.

"Unrestricted Margin Stock" means any Margin Stock owned by the Consolidated Group which is not Restricted Margin Stock.

"Voting Stock" means shares of capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

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SECTION 1.02 Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”, the word “through” means “through and including” and each of the words “to” and “until” mean “to but excluding”.

SECTION 1.03 Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not specifically defined herein shall be construed in accordance with, and all financial data (including financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS, as in effect from time to time. If at any time any change in IFRS would affect the calculation of any covenant set forth herein and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such covenant to preserve the original intent thereof in light of such change in IFRS (subject to the approval of the Required Lenders); provided that, until so amended, (i) such covenant shall continue to be calculated in accordance with IFRS prior to such change and (ii) the Borrower shall provide to the Administrative Agent and the Lenders, concurrently with the delivery of any financial statements or reports with respect to such covenant, statements setting forth a reconciliation between calculations of such covenant made before and after giving effect to such change in IFRS. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to (i) any election under applicable accounting standards to value any Debt or other liabilities of the Borrower or any Subsidiary at “fair value” or similar term and (ii) any treatment of Debt in respect of convertible debt instruments under applicable accounting standards to value any such Debt in a reduced or bifurcated manner, and such Debt shall at all times be valued at the full stated principal amount thereof.

SECTION 1.04 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein and (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereto.

SECTION 1.05 Jersey Terms. In each Loan Document, where it relates to a person incorporated or formed or having its centre of main interests in Jersey, a reference to:

- (a) a winding up, administration or dissolution includes, without limitation, bankruptcy (as that term is interpreted pursuant to Article 8 of the Interpretation (Jersey) Law 1954), any procedure or process referred to in Part 21 of the Jersey Companies Law, and any other similar proceedings affecting the rights of creditors generally under Jersey law, and shall be construed so as to include any equivalent or analogous proceedings; or
- (b) a receiver, administrative receiver, administrator or the like includes, without limitation, the Viscount of the Royal Court of Jersey, *autorisés* or any other person performing the same function of each of the foregoing.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Advances. Each Lender severally and not jointly agrees, on the terms and conditions hereinafter set forth (a) to make Tranche 1 Advances denominated in Dollars to the Borrower from time to time on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Tranche 1 Commitment immediately prior to the making of the Tranche 1 Advance, (b) to make Tranche 2 Advances denominated in Dollars to the Borrower from time to time on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Tranche 2 Commitment immediately prior to the making of the Tranche 2 Advance, (c) to make Tranche 3 Advances denominated in Dollars to the Borrower from time to time on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Tranche 3 Commitment immediately prior to the making of the Tranche 3 Advance and (d) to make Tranche 4 Advances denominated in Dollars to the Borrower from time to time on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Tranche 4 Commitment immediately prior to the making of the Tranche 4 Advance. Each Borrowing shall be in an aggregate amount equal to the Borrowing Minimum or a Borrowing Multiple in excess thereof and shall initially consist of Eurocurrency Rate Advances of the same Class made on the same day by the Lenders ratably according to their respective relevant Commitments. Upon the making of any Advance by a Lender such Lender's relevant Commitment will be permanently reduced by the aggregate principal amount of such Advance. The Borrower may prepay Advances pursuant to Section 2.10, provided that Advances may not be reborrowed once repaid.

SECTION 2.02 Making the Advances. (a) Each Borrowing shall be made on notice by the Borrower, given not later than 9:00 A.M. (Tokyo time) on the third Business Day prior to the date of the proposed Borrowing, to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier or other electronic communication. Each notice of a Borrowing (a "Notice of Borrowing") shall be by telephone, confirmed immediately in writing, including by telecopier (or other electronic communication) in substantially the form of Exhibit A hereto, specifying therein the requested (i) date of such Borrowing (which shall be a Business Day), (ii) Class of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, (iv) initial Interest Period for such Advance, if such Borrowing is to consist of Eurocurrency Rate Advances, and (v) account or accounts in which the proceeds of the Borrowing should be credited. Each Lender shall, before 11:00 A.M. (Tokyo time) on the date of such Borrowing make available for the account of its Applicable Lending Office to the Administrative Agent at the applicable Administrative Agent's Office, in same day funds, such Lender's ratable portion of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower in immediately available funds to the account or accounts specified by the Borrower to the Administrative Agent in the Notice of Borrowing relating to the applicable Borrowing. Notwithstanding anything to the contrary herein, there shall not be more than ten separate Borrowings of Advances.

(b) Anything in Section 2.02(a) to the contrary notwithstanding, (i) the Borrower may not select Eurocurrency Rate Advances if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than ten separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower shall indemnify each Lender against any reasonable loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any reasonable loss (excluding loss of

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anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that any Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to pay or to repay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is paid or repaid to the Administrative Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Advances comprising such Borrowing and (B) the cost of funds incurred by the Administrative Agent in respect of such amount and (ii) in the case of such Lender, the greater of the Cost of Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall pay to the Administrative Agent such corresponding principal amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for all purposes of this Agreement. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

(f) If any Lender makes available to the Administrative Agent funds for any Advance to be made by such Lender as provided herein, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to such Borrowing are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) Each Lender at its option may make any Advance by causing any domestic or foreign branch or Affiliate of such Lender to make such Advance (and in the case of an Affiliate, the provisions of Sections 2.08, 2.11 and 2.14 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Advance in accordance with the terms of this Agreement.

SECTION 2.03 [Reserved].

SECTION 2.04 Fees. (a) Commitment Fee. As part of the consideration for each Lender's Commitment hereunder, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender (other than a Defaulting Lender for such time as such Lender is a Defaulting Lender), a non-refundable commitment fee from (and excluding) the date which is 60 days after the Effective Date and from time to time through and including the date of termination of the Commitments in full, at a rate per annum (x) equal to 0.10% until the receipt of a Public Debt Rating (after giving effect to the Target Acquisition) and (y) thereafter, equal to the Applicable Percentage per annum, on the aggregate daily amount of such Lender's Commitments during such

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period, such fee to be earned and payable in arrears quarterly on the last Business Day of each March, June, September and December, and on the date the Commitment terminates in full or is otherwise reduced to zero.

(b) Duration Fee. As part of the consideration for each Lender’s Commitment hereunder, the Borrower will pay to the Administrative Agent for the account of each Lender (subject to Section 2.19(a)(ii)) a duration fee on each date set forth below in an amount equal to the percentage set forth opposite such date of the aggregate principal amount of Advances and undrawn Commitments held by such Lender on such date:

<u>DATE</u>	<u>PERCENTAGE</u>
90 days after the Closing Date	0.50%
180 days after the Closing Date	0.75%
270 days after the Closing Date	1.00%

(c) Additional Fees. The Borrower shall pay to the Administrative Agent and Arrangers for their account (or that of their applicable Affiliate) such fees as may from time to time be agreed between any of the Consolidated Group and the Administrative Agent and/or Arrangers.

(d) Calculation of Commitment. For the avoidance of doubt, with respect to the definition of “Mandatory Cancellation Event” and the ability thereunder for the Borrower to provide notices and issue documents to facilitate a switch from a Scheme to a Takeover Offer and vice versa, the Commitment shall be deemed to be in effect until the end of the day on which the applicable notice or issuance is required to but does not occur for the purposes of calculating any fees under this Agreement or any fee letters related hereto.

SECTION 2.05 Termination or Reduction of the Commitments; Mandatory Prepayments. (a) Unless previously terminated, the Commitments shall terminate in full at 5:00 p.m. (Tokyo time) on the earlier of (i) the date on which all of the Certain Funds Purposes have been achieved without the making of any Advances and (ii) the date on which the Certain Funds Period terminates; provided that in any event the Tranche 1 Commitments, Tranche 2 Commitments and Tranche 3 Commitments shall terminate in full at 5:00 p.m. (Tokyo time) on the date that is 364 days after the Closing Date and the Tranche 4 Commitments shall terminate in full at 5:00 p.m. (Tokyo time) on the date that is 90 days after the Closing Date. Additionally, each Lender’s Commitment will be permanently reduced upon such Lender making any Advance under such Commitment by an amount equal to the amount of such Advance. Any termination or reduction of the Commitments shall be permanent.

(b) Ratable Reduction or Termination. The Borrower shall have the right, upon at least three Business Days’ notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused portions of any Class of Commitments of the Lenders; provided that each partial reduction shall be in an aggregate amount of not less than \$50,000,000 and an integral multiple of \$5,000,000 in excess thereof; provided further that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied.

(c) [Reserved].

(d) Mandatory Prepayment. First, any outstanding Advances of a Class shall be prepaid, and second, if any Commitments of a Class are outstanding and no Advances of such Class are outstanding on (or such Advances of such Class have been prepaid as of) the applicable date, the Commitments of such Class shall be reduced, in each case, on a Dollar-for-Dollar basis by or with an amount equal to that specified in this paragraph (d) (with amounts received in non-Dollar currencies to be converted by the Borrower to Dollars for the purposes

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of this calculation based upon foreign exchange rates actually received in the case of a prepayment (or in the case of a Commitment reduction, with the amount of such reduction to be calculated based on the amount notified by the Borrower to the Administrative Agent as the amount that would actually be received by the Borrower if it converted the amount so received to Dollars, as determined by the Borrower acting in good faith and in a commercially reasonable manner in consultation with the Administrative Agent and taking into account any hedging arrangements which the Borrower has in place) in each case within three Business Days of receipt by the Consolidated Group of any Net Cash Proceeds (or in the case of a Qualifying Committed Financing, receipt by any member of the Consolidated Group of commitments thereof) referred to in this paragraph (d):

(i) (x) from 100.0% of the Net Cash Proceeds actually received by the Consolidated Group from the incurrence of Borrowed Debt by such entity (excluding (A) intercompany debt of such entities, (B) any other ordinary course borrowings under existing working capital or overdraft facilities, (C) issuances of commercial paper and refinancings thereof (other than any such issuances that are identified by the Borrower as to be used for Certain Funds Purposes), (D) purchase money indebtedness incurred in the ordinary course of business, (E) indebtedness with respect to capital leases incurred in the ordinary course of business, (F) renewals, refinancings or replacements of indebtedness existing on the Effective Date (or, in the case of indebtedness of the Target and its Subsidiaries, existing on the Closing Date) (provided that the existing indebtedness being renewed, refinanced or replaced is scheduled to mature within 12 months after the date of such renewal, refinancing or replacement), (G) the incurrence of Borrowed Debt under local bilateral revolving credit financing arrangements existing on the Effective Date and (H) other Debt in an amount not to exceed \$1,000,000,000 in the aggregate) (or, to the extent any such Net Cash Proceeds are identified by the Borrower as to be used for Certain Funds Purposes and are denominated in a currency other than Dollars, 85% of such Net Cash Proceeds (the aggregate amount of Net Cash Proceeds in excess of such 85%, the "Withheld Debt Proceeds"); provided that the aggregate Withheld Debt Proceeds, together with the aggregate Withheld Equity Proceeds (as defined below) and the aggregate Withheld Debt Commitments (as defined below) (other than any Withheld Debt Commitments which have been converted into Withheld Debt Proceeds and therefore already been counted in this calculation), shall not exceed \$2,000,000,000); provided that with respect to any Net Cash Proceeds referred to in this clause (i) denominated in a currency other than Dollars, upon the earlier of the Final Certain Funds Payment Date and the conversion of any such Net Cash Proceeds into Dollars, to the extent such amount in Dollars exceeds the amount by which the Commitments were reduced and/or Advances were prepaid as a result of the receipt of those Net Cash Proceeds, there shall be a further mandatory prepayment and/or commitment reduction pursuant to this clause (d) in an amount equal to the lower of (I) such excess and (II) the relevant Withheld Debt Proceeds in respect of those Net Cash Proceeds) and (y) the aggregate amount of commitments received in respect of any Qualifying Committed Financing (or, with respect to any Qualifying Committed Financing denominated in a currency other than Dollars, 85% of the aggregate commitments received in respect of any such Qualifying Committed Financing (the aggregate amount of commitments in excess of such 85%, the "Withheld Debt Commitments"); provided that the aggregate Withheld Debt Commitments, together with the aggregate Withheld Debt Proceeds (other than any Withheld Debt Proceeds which represent the proceeds of any Withheld Debt Commitments that have already been counted in this calculation) and the aggregate Withheld Equity Proceeds, shall not exceed \$2,000,000,000) (it being understood that (1) following the effectiveness of such Commitment reduction and solely to the extent of the amount thereof (together with any Withheld Debt Commitments), there shall be no duplicative prepayment of Loans from subsequent proceeds (up to such amount (together with any Withheld Debt Commitments)) received from such Borrowed Debt or Qualifying Committed Financing pursuant to clause (d)(i)(x) or (d)(i)(y) of this Section 2.05 other than pursuant to clause (2) below and to the extent any Qualifying Committed Financing is not required to be applied to the cancellation of any Commitments pursuant to this paragraph (d), there shall be no requirement to apply any loan proceeds arising from any New Term Loans and (2) with respect to any Qualifying Committed Financing denominated in a currency other than Dollars, upon the earlier of the Final Certain Funds Payment Date and

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the conversion of any such Qualifying Committed Financing or the proceeds thereof into Dollars, to the extent such amount in Dollars exceeds the amount by which the Commitments were reduced as a result of the receipt of those commitments in respect of a Qualifying Committed Financing, there shall (except to the extent that a mandatory prepayment and/or commitment reduction has been made in respect of those proceeds pursuant to the equivalent provision in clause (d)(i)(x) above) be a further mandatory prepayment and/or commitment reduction pursuant to this clause (d) in an amount equal to the lower of (I) such excess and (II) the relevant Withheld Debt Commitments in respect of that Qualifying Committed Financing;

(ii) from 100.0% of the Net Cash Proceeds actually received from the issuance of any Equity Interests by the Consolidated Group (other than (A) issuances pursuant to employee stock plans or other benefit or employee incentive arrangements, (B) issuances among the Consolidated Group or (C) other issuances not to exceed \$100,000,000 in the aggregate) (to the extent any such Net Cash Proceeds are identified by the Borrower as to be used for Certain Funds Purposes and are denominated in a currency other than Dollars, 85% of such Net Cash Proceeds (the aggregate amount of Net Cash Proceeds in excess of such 85%, the “Withheld Equity Proceeds”); provided that the aggregate Withheld Equity Proceeds, together with the aggregate Withheld Debt Commitments and the aggregate Withheld Debt Proceeds (other than any Withheld Debt Proceeds which represent the proceeds of any Withheld Debt Commitments that have already been counted in this calculation), shall not exceed \$2,000,000,000); provided that with respect to any Net Cash Proceeds referred to in this clause (ii) denominated in a currency other than Dollars, upon the earlier of the Final Certain Funds Payment Date and the conversion of any such Net Cash Proceeds into Dollars, to the extent such amount in Dollars exceeds the amount by which the Commitments were reduced and/or the Advances were prepaid as a result of the receipt of those Net Cash Proceeds, there shall be a further mandatory prepayment and/or commitment reduction pursuant to this clause (d) in an amount equal to the lower of (I) such excess and (II) the relevant Withheld Equity Proceeds in respect of those Net Cash Proceeds; and

(iii) from 100.0% of the Net Cash Proceeds actually received by the Consolidated Group from Asset Sales outside the ordinary course of business (except for (A) Asset Sales between or among such entities and (B) Asset Sales, the Net Cash Proceeds of which do not exceed \$100,000,000 in any single transaction or related series of transactions or \$1,000,000,000 in the aggregate).

All mandatory prepayments or Commitment reductions (a) in respect of the issuance of senior notes and/or mandatorily convertible securities and/or hybrid equity or Equity Interests (other than hybrid securities denominated in Japanese Yen) shall be applied first to Tranche 1 Advances and Tranche 1 Commitments, second to Tranche 3 Advances and Tranche 3 Commitments, third to Tranche 2 Advances and Tranche 2 Commitments and fourth to Tranche 4 Advances and Tranche 4 Commitments, (b) in respect of the issuance of hybrid securities denominated in Japanese Yen shall be applied first to the Tranche 2 Advances and Tranche 2 Commitments, second ratably to the Tranche 1 Advances and Tranche 1 Commitments and Tranche 3 Advances and Tranche 3 Commitments, and third to the Tranche 4 Advances and Tranche 4 Commitments, (c) in respect of the incurrence of New Term Loans shall be applied first to Tranche 3 Advances and Tranche 3 Commitments, second to Tranche 1 Advances and Tranche 1 Commitments, third Tranche 2 Advances and Tranche 2 Commitments and fourth to Tranche 4 Advances and Tranche 4 Commitments, and (d) in respect of other mandatory prepayments or commitment reductions described in this clause (d) shall be applied first ratably to Tranche 1 Advances and Tranche 1 Commitments and Tranche 3 Advances and Tranche 3 Commitments, second to the Tranche 2 Advances and Tranche 2 Commitments and third to Tranche 4 Advances and Tranche 4 Commitments. All mandatory prepayments and Commitment reductions will be applied without penalty or premium (except for breakage costs and accrued interest, if any) and will be applied *pro rata* among the Lenders of the applicable Class of Advances (or, if applicable, Class of Commitments). Mandatory prepayments of the Advances may not be reborrowed.

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If the Net Cash Proceeds are received by any Person other than the Borrower, the Commitments shall only be reduced (or the Advances prepaid) to the extent that such Net Cash Proceeds are not prohibited or delayed by applicable law and can be immediately transferred to the Borrower (with such amount net of the costs and taxes associated therewith); it being understood that if such a restriction on transfer exists, upon such restriction ceasing to apply, the Commitments will be immediately reduced or, if applicable, the Advances will be repaid within three Business Days thereof, in the manner set forth above as if such Net Cash Proceeds were received by the Borrower on the date such restriction ceased to exist.

SECTION 2.06 Repayment of Advances. The Borrower shall repay on the Maturity Date for the applicable Class to the Administrative Agent for the ratable account of the Lenders of such Class, the aggregate principal amount of all Advances under such Class made to the Borrower outstanding on such date.

SECTION 2.07 Interest on Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Cost of Funds Rate Advances. During such periods as such Advance is a Cost of Funds Rate Advance, a rate per annum equal at all times to the sum of (A) the Cost of Funds Rate in effect from time to time and (B) the Applicable Margin, payable in arrears quarterly on the last Business Day of each March, June, September and December, during such periods and on the date the Advances are paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurocurrency Rate for such Interest Period for such Advance, and (B) the Applicable Margin, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default pursuant to Section 6.01(a), the Administrative Agent shall, upon the request of the Required Lenders, require the Borrower to pay interest (“Default Interest”), which amount shall accrue as of the date of occurrence of the Event of Default, on (i) amounts that are overdue, payable in arrears on the dates referred to in Section 2.07(a)(i) or 2.07(a)(ii), at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such overdue amount pursuant to Section 2.07(a)(i) or 2.07(a)(ii) and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Advances pursuant to Section 2.07(a)(ii) (or, if all Advances have been Converted to Cost of Funds Rate Advances pursuant to Section 2.07(a)(i)), provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Administrative Agent.

(c) Additional Interest on Eurocurrency Rate Advances. The Borrower shall pay to each Lender, so long as and to the extent such Lender shall be subject to, under applicable law, rules or regulations to reserves, liquid asset, fees or similar requirements (as further described in the definition of Eurocurrency Rate Reserve Percentage) with respect to deposits or liabilities (as so described), additional interest on the unpaid principal amount of each Advance of such Lender made to the Borrower that is a Eurocurrency Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (a) the Eurocurrency Rate for the applicable Interest Period for such

Advance from (b) the rate obtained by dividing such Eurocurrency Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such Lender shall as soon as practicable provide notice to the Administrative Agent and the Borrower of any such additional interest arising in connection with such Advance, which notice shall be conclusive and binding, absent demonstrable error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means (including, without limitation, by means of an Interpolated Rate) do not exist for ascertaining the Eurocurrency Rate for such Interest Period or (ii) the Required Lenders notify the Administrative Agent that (x) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Advances as a part of such Borrowing during its Interest Period or (y) the Eurocurrency Rate for any Interest Period for such Advances will not adequately and fairly reflect the cost to the Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) (x) the Borrower will, on the last day of the then existing Interest Period therefor prepay such Advances or (y) any such Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration and (B) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(i) have not arisen but the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 2.08(c), only to the extent the Screen Rate for the applicable currency and such Interest Period is not available or published at such time on a current basis), (x) any request from the Borrower to continue any Advance as a Eurocurrency Rate Advance shall be ineffective and any such Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration and (y) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances made to the Borrower in accordance with the provisions contained in the definition of “Interest Period” in Section 1.01, the Administrative Agent will forthwith so notify the Borrower and the Lenders and such Eurocurrency Rate Advances will automatically, on the last day of the then existing Interest Period therefor, be continued as a Eurocurrency Advance with an Interest Period of one month.

SECTION 2.09 [Intentionally Omitted].

SECTION 2.10 Optional Prepayments of Advances. The Borrower may, upon written notice to the Administrative Agent stating the proposed date and aggregate principal amount of the proposed prepayment, given not later than 10:00 A.M. (Tokyo time) one Business Day prior to the date (which date shall be a Business Day) of such proposed prepayment, in the case of a Borrowing consisting of Cost of Funds Rate Advances, and not later than 10:00 A.M. (Tokyo time) at least two Business Days prior to the date of such proposed prepayment, in the case of a Borrowing consisting of Eurocurrency Rate Advances, and if such notice is given, the Borrower shall, prepay the outstanding principal amount of the Advances comprising part of the same Borrowing made to the Borrower in whole or ratably in part, and together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount of the Borrowing Minimum or a Borrowing Multiple in excess thereof and (ii) if any prepayment of a Eurocurrency Rate Advance is made on a date other than the last day of an Interest Period for such Eurocurrency Rate Advance, the Borrower shall also pay any amount owing pursuant to Section 9.04(c); and provided, further, that, subject to clause (ii) of the immediately preceding proviso, any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied. Notwithstanding anything in this Agreement to the contrary, the Borrower shall not optionally prepay any Tranche 1 Advances, Tranche 2 Advances or Tranche 3 Advances while any Tranche 4 Advances are outstanding.

SECTION 2.11 Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), in each case after the date hereof (or with respect to any Lender (or the Administrative Agent), if later, the date on which such Lender (or the Administrative Agent) becomes a Lender (or the Administrative Agent)), there shall be any increase in the cost to any Lender or the Administrative Agent of agreeing to make or making, funding or maintaining Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes as to which such Lender is indemnified under Section 2.14, (ii) Excluded Taxes, or (iii) Other Taxes), then the Borrower shall from time to time, upon demand by such Lender or the Administrative Agent (with a copy of such demand to the Administrative Agent, if applicable), pay to the Administrative Agent for the account of such Lender (or for its own account, if applicable) additional amounts sufficient to compensate such Lender or the Administrative Agent for such increased cost as reasonably determined by such Lender or the Administrative Agent (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender or the Administrative Agent under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender or the Administrative Agent then reasonably determines to be relevant). A certificate describing such increased costs in reasonable detail delivered to the Borrower shall be conclusive and binding for all purposes, absent demonstrable error.

(b) If any Lender reasonably determines that compliance with any law or regulation or any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), in each case promulgated or given after the date hereof (or with respect to any Lender, if later, the date on

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which such Lender becomes a Lender), affects or would affect the amount of capital, insurance or liquidity required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital, insurance or liquidity is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, the Borrower shall, from time to time upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances as reasonably determined by such Lender (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender then reasonably determines to be relevant), to the extent that such Lender reasonably determines such increase in capital, insurance or liquidity to be allocable to the existence of such Lender's Advances or commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent demonstrable error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Borrower of the change or circumstance giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change or circumstance giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof. Any Lender making a claim for compensation under this Section 2.11 may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 8.07.

(d) Notwithstanding anything in this Section 2.11 to the contrary, for purposes of this Section 2.11, (A) the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder or in connection therewith or in implementation thereof, and (B) all requests, rules, guidelines and directions promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar or successor agency, or the United States or foreign regulatory authorities, in each case, pursuant to Basel III) shall be deemed to have been enacted following the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender); provided that no Lender shall demand compensation pursuant to this Section 2.11(c) unless such Lender is making corresponding demands on similarly situated borrowers in comparable credit facilities to which such Lender is a party.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, with respect to Dollar denominated Advances, (a) if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority, including without limitation, any agency of the European Union or similar monetary or multinational authority, asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances or to fund or maintain Eurocurrency Rate Advances hereunder, (i) each Eurocurrency Rate Advance of such Lender will automatically, upon such notification, be Converted into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of such Lender to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and such Lender that the circumstances causing such suspension no longer exist and (b) if Lenders constituting the Required Lenders so notify the Administrative Agent, (i) each Eurocurrency Rate Advance of each Lender will automatically, upon such notification, Convert into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of each Lender to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and each Lender that the

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circumstances causing such suspension no longer exist. Any Lender that is prohibited from performing its obligations to make Advances or to continue to fund or maintain Advances may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 8.07.

SECTION 2.13 Payments and Computations. (a) The Borrower shall make each payment required to be made by it under this Agreement not later than 11:00 A.M. (Tokyo time) on the day when due in Dollars to the Administrative Agent at the applicable Administrative Agent's Office in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12(a) (or if applicable the last sentence of Section 2.12), 2.14, 2.15 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the assignor for amounts which have accrued but excluding the effective date of such assignment and to the assignee for amounts which have accrued from and after the effective date of such assignment. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender by the Borrower is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due, unless otherwise agreed between the Borrower and such Lender.

(c) All computations of interest hereunder shall be made by the Administrative Agent on the basis of a year of 360 days and in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent demonstrable error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(e) Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent, following prompt notice thereof, forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Cost of Funds Rate.

SECTION 2.14 Taxes. (a) Any and all payments by or on behalf of the Borrower under any Loan Document shall be made, in accordance with Section 2.13, free and clear of and without deduction for any Taxes,

excluding, in the case of each Lender and the Administrative Agent, (i) taxes imposed on (or measured by) its overall net income (however denominated), franchise taxes, and branch profits taxes, in each case (A) imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or any political subdivision thereof, by the jurisdiction of the Administrative Agent's principal office or such Lender's Applicable Lending Office, as the case may be, or any political subdivision thereof or (B) that are Other Connection Taxes, (ii) with respect to a Lender that is not a Japanese tax resident or a Japanese branch of a non-Japanese tax resident and is not entitled to a full exemption on Japanese withholding tax on interest payments under a tax treaty entered into by Japan and that is in effect on the date specified in this clause (ii)(A)-(B) below, any Japanese withholding Taxes imposed by a Governmental Authority pursuant to a law in effect on the date on which (A) a Lender acquires such interest in an Advance or Commitment or, with respect to the Administrative Agent, the date that the Administrative Agent becomes a party to a Loan Document or (B) a Lender changes its Applicable Lending Office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Applicable Lending Office, (iii) any Tax that is imposed (for the avoidance of doubt, including any Tax that is imposed at higher effective tax rate) by reason of such Lender's or the Administrative Agent's failure to comply with Section 2.14(f), and (iv) any withholding taxes imposed under FATCA (all such excluded Taxes in respect of payments under any Loan Document being hereinafter referred to as "Excluded Taxes"). If any Taxes from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent shall be required to be deducted or withheld under applicable law, (A) the Borrower shall be entitled to make such deductions or withholdings and (B) the Borrower shall pay the full amount deducted or withheld to the relevant taxation authority or other Governmental Authority in accordance with applicable law. If any Taxes other than Excluded Taxes shall be required to be deducted from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent, the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made.

(b) In addition, without duplication of any other obligation set forth in this Section 2.14, the Borrower agrees to pay to the relevant taxing authority or Governmental Authority any present or future stamp and documentary Taxes and any other excise or property Taxes, charges or similar levies that arise from any payment made by it under any Loan Document or from the execution, delivery or registration of, or performance under, or otherwise with respect to, any Loan Document other than any such Taxes, charges or similar levies that are Other Connection Taxes imposed with respect to an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower) (such Taxes, charges or similar levies, hereinafter referred to as "Other Taxes").

(c) Without duplication of any other obligation set forth in this Section 2.14, the Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes (other than Excluded Taxes) and Other Taxes (except to the extent such Other Taxes are Other Connection Taxes imposed solely as a result of an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower)) imposed on or paid by such Lender or the Administrative Agent, as the case may be, in respect of Advances made to the Borrower and any liability (including, without limitation, penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as the case may be, makes written demand therefor. Such Lender or the Administrative Agent shall deliver to the Borrower a certificate describing in reasonable detail the amount of such payment or liability.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Borrower to do

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so) and (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.07(e) relating to the maintenance of a Participant Register, in either case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate describing in reasonable detail the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) As soon as practical after the date of any payment of Taxes or Other Taxes for which the Borrower is responsible under this Section 2.14, the Borrower shall furnish to the Administrative Agent, at its address as specified in Schedule II, the original or a certified copy of a receipt evidencing payment thereof.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.14(f)(ii) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(1) Any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent executed originals of IRS Form W-9 (and any applicable successor form) and such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent certifying that such Lender is exempt from U.S. federal backup withholding tax. The forms described in this Section 2.14(e)(ii)(1) shall be provided by each Lender to the Borrower and the Administrative Agent at the time such Lender becomes a party to this Agreement, at the time or times prescribed by applicable Laws, when reasonably requested by the Borrower or the Administrative Agent, and promptly upon the obsolescence, invalidity or expiration of any form previously provided by such Lender;

(2) Any Lender that is neither a Japanese tax resident nor a Japanese branch of a non-Japanese tax resident shall provide, to the extent it is legally entitled to do so, the applicable documentation to claim the benefits of a tax treaty entered into by Japan, at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent;

(3) Any Lender that is a Japanese branch of a non-Japanese tax resident shall present, to the extent it is legally entitled to do so, a Certificate of Exemption for Withholding Tax for Foreign Corporations issued by the relevant tax authority in Japan pursuant to Article 180 of the Income Tax Act of Japan (*shotokuzeihou*) at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent.

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(iii) If a payment made to a Lender under any Loan Document would be subject to withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower or the Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this clause 2.14(f)(ii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iv) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(v) Notwithstanding the foregoing, any Japanese Taxes resulting from the failure or legal inability of a Lender to provide any tax forms pursuant to Section 2.14(f)(i)-(ii) or (iv) shall be considered Excluded Taxes unless (x) such Taxes are imposed as a result of a change in law or treaty occurring after the date the Lender became a party to this Agreement or acquired its interest in a Loan or Commitment and would otherwise have not been treated as an Excluded Tax under Section 2.14(a) but for this Section 2.14(f)(v) or (y) such Taxes were grossed up with respect to the Lender's assignor immediately before such Lender became a party.

(g) In the event that an additional payment is made under Section 2.14(a) or 2.14(c) for the account of the Administrative Agent or any Lender and the Administrative Agent or such Lender, in its sole discretion exercised in good faith, determines that it has received a refund of any tax paid or payable by it in respect of or calculated with reference to the deduction or withholding giving rise to such additional payment (including by the payment of additional amounts pursuant to this Section 2.14), the Administrative Agent or such Lender shall pay to the Borrower such amount equal to such refund as the Administrative Agent or such Lender shall, in its reasonable discretion exercised in good faith, have determined is attributable to such deduction or withholding and will leave the Administrative Agent or such Lender (after such payment) in no worse position than it would have been had the Borrower not been required to make such deduction or withholding. The Borrower, upon the request of the Administrative Agent or such Lender, shall repay to the Administrative Agent or such Lender the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. Nothing contained in this Section 2.14(g) shall (i) interfere with the right of a Lender to arrange its tax affairs in whatever manner it thinks fit or (ii) oblige the Administrative Agent or any Lender to disclose any information relating to its tax returns, tax affairs or any computations in respect thereof or (iii) require any Lender to take or refrain from taking any action that would prejudice its ability to benefit from any other credits, reliefs, remissions or repayments to which it may be entitled.

(h) Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under the Loan Documents.

(i) For purposes of this Section 2.14, the term "applicable law" includes FATCA.

SECTION 2.15 Sharing of Payments, Etc. Subject to Section 2.19 in the case of a Defaulting Lender, if any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Advances owing to it (other than pursuant to Section 2.02(c), 2.07(c), 2.11,

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2.12(a), 2.14 or 9.04(c)) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (a) the amount of such Lender's required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The provisions of this Section 2.15 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from a Defaulting Lender) as in effect from time to time or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances to any assignee or participant permitted hereunder.

SECTION 2.16 Use of Proceeds. The proceeds of the Advances shall be available, and the Borrower agrees that it shall apply such proceeds, solely towards Certain Funds Purposes.

SECTION 2.17 Evidence of Debt. (a) The Register maintained by the Administrative Agent pursuant to Section 9.07(d) shall include (i) the date and amount of each Borrowing made hereunder by the Borrower, the Type and Class of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof.

(b) Entries made reasonably and in good faith by the Administrative Agent in the Register pursuant to subsection (a) above shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to each Lender under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit, expand or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.18 [Reserved].

SECTION 2.19 Defaulting Lenders.

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender (it being understood that the determination of whether a Lender is no longer a Defaulting Lender shall be made as described in Section 2.19(b)):

(i) such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to Section 2.04(a);

(ii) such Defaulting Lender will not be entitled to any fees accruing under Section 2.04(b) with respect to its undrawn Commitment to the extent it is a Defaulting Lender on the date such fee would otherwise be payable and such fee would be attributable to its Commitment (for the avoidance of doubt fees attributable to funded Advances shall be payable);

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(iii) to the fullest extent permitted by applicable law, such Lender will not be entitled to vote in respect of amendments and waivers hereunder, and the Commitment and the outstanding Advances of such Lender hereunder will not be taken into account in determining whether the Required Lenders or all of the Lenders, as required, have approved any such amendment or waiver (and the definition of "Required Lenders" will automatically be deemed modified accordingly for the duration of such period); provided that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender; and

(iv) the Borrower may, at its sole expense and effort, require such Defaulting Lender to assign and delegate its interests, rights and obligations under this Agreement pursuant to Section 9.07.

(b) If the Borrower and the Administrative Agent agree in writing in their discretion that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

(c) Any payment of principal, interest, fees or other amounts received by the Administrative Agent hereunder for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 6.01 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.05 shall be applied at such time or times as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second* as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as reasonably determined by the Administrative Agent; *third*, as the Borrower may request, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or otherwise pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

SECTION 2.20 Mitigation. (a) Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge that will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Borrower to pay any amount pursuant to Section 2.11 or 2.14 or (ii) the occurrence of any circumstance described in Section 2.12 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so

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notify the Borrower and the Administrative Agent). In furtherance of the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Borrower of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Lender's good faith judgment, be otherwise disadvantageous to such Lender.

(b) Notwithstanding any other provision of this Agreement, if any Lender fails to notify the Borrower of any event or circumstance which will entitle such Lender to compensation pursuant to Section 2.11 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Borrower for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Borrower of such event or circumstance.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effective Date. This Agreement shall become effective on and as of the first date on which the following conditions precedent have been satisfied (with the Administrative Agent acting reasonably in assessing whether the conditions precedent are satisfactory) (or waived in accordance with Section 9.01):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement and the other Loan Documents signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include .pdf or facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) All fees and other amounts then due and payable by the Consolidated Group to the Administrative Agent, the Arrangers and the Lenders under the Loan Documents or pursuant to any fee or similar letters relating to the Loan Documents shall be paid, to the extent invoiced by the relevant person at least one Business Day prior to the Effective Date and to the extent such amounts are payable on or prior to the Effective Date.

(c) The Administrative Agent shall have received on or before the Effective Date, each dated on or about such date:

(i) Certified copies of the resolutions or similar authorizing documentation of the governing bodies of the Borrower authorizing such Person to enter into and perform its obligations under the Loan Documents to which it is a party;

(ii) Certified copies of the Borrower's articles of incorporation, certificate of incorporation and bylaws (or comparable organizational documents) and any amendments thereto;

(iii) A certificate of the Borrower attaching a certificate of commercial registry (*rireki jikou zenbu shomeisho*) of the Borrower issued by a Legal Affairs Bureau and certifying that all information required to be registered under the laws of Japan has been registered in the commercial registry;

(iv) A customary certificate of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder; and

(v) A favorable opinion letter of each of (i) Linklaters LLP and (ii) Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters, in each case in form and substance reasonably satisfactory to the Administrative Agent.

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(d) The Administrative Agent shall have received satisfactory evidence of the Borrower's Public Debt Rating as of a reasonably recent date prior to the Effective Date.

(e) The Administrative Agent shall have received a copy, certified by the Borrower, of a draft of the Scheme Press Release or Offer Press Announcement (as applicable, depending upon whether it is proposed at that time to effect the Target Acquisition by way of a Scheme or Takeover Offer) substantially in the form in which it is proposed to be issued.

(f) The Administrative Agent shall have received, at least 3 Business Days prior to the Effective Date, so long as requested no less than 10 Business Days prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended) and the Patriot Act, in each case relating to the Borrower and its Subsidiaries, including the Borrower.

(g) The Administrative Agent shall have received a letter from the Service of Process Agent indicating its consent to its appointment by the Borrower as its agent to receive service of process as specified in this Agreement, and confirming that such appointment is in full force and effect and applies to this Agreement in all respects.

(h) The Administrative Agent shall have received copies of the Hedge Agreements (if any) that have been entered into in connection with the Target Acquisition and/or the Bridge Facility.

(i) The Arrangers shall have received a copy of the Disclosure Letter, it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Disclosure Letter.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date in writing promptly upon such conditions precedent being satisfied (or waived in accordance with Section 9.01), and such notice shall be conclusive and binding.

SECTION 3.02 Conditions Precedent to Closing Date. Subject to Section 3.04, the obligation of each Lender to make an Advance on the Closing Date is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

(a) The Effective Date shall have occurred.

(b) If the Target Acquisition is effected by way of a Scheme, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Scheme Circular was posted to the shareholders of the Target;

(2) the date on which the Court has sanctioned the Scheme and that the Court Order has been duly delivered to the Registrar in accordance with Article 125(3) of the Jersey Companies Law;

(3) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(4) the Target Acquisition shall have been, or, within the time period permitted by the City Code, shall be, consummated in all material respects in accordance with the terms and conditions of the Scheme Documents except to the extent not prohibited by the Loan Documents; and

(5) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or to the extent not prohibited by the Loan Documents; and

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(ii) a copy of the Scheme Circular which is consistent in all material respects with the terms and conditions in the Scheme Press Release and the Scheme Resolutions, in each case, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or are not prohibited by the Loan Documents.

(c) If the Target Acquisition is effected by way of a Takeover Offer, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Takeover Offer Document was posted to the shareholders of the Target;

(2) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(3) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or are not prohibited by the Loan Documents; and

(4) that the Takeover Offer has been declared unconditional in all respects without any material amendment, modification or waiver of the conditions to the Takeover Offer or of the Acceptance Condition except to the extent not prohibited by the Loan Documents; and

(ii) a copy of the Takeover Offer Document which is consistent in all material respects with the terms and conditions in the Offer Press Announcement, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or a court of competent jurisdiction or are permitted under the Loan Documents.

(d) On the date of the applicable borrowing request and on the proposed date of such borrowing (x) no Certain Funds Default is continuing or would result from the proposed Borrowing and (y) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

(e) All fees due and payable by the Borrower to the Arrangers, the Administrative Agent and the Lenders pursuant to paragraphs 1(i), (ii), (iii) or (iv) of the Fee and Syndication Letter shall be paid or satisfied from the proceeds of the proposed Advance, to the extent invoiced at least one Business Day prior to the Closing Date by the relevant person and to the extent such amounts are payable on or prior to the Closing Date.

(f) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.

(g) The Administrative Agent shall have received a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower and its Subsidiaries as of and for the twelve-month period ending on the last day of the most recently completed four-fiscal quarter period ended at least 45 days prior to the Closing Date, prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such statement of income) (the "Pro Forma Financials"), it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Pro Forma Financials).

(h) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advances or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the

occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make Advances hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date as soon as practicable upon its occurrence, and such notice shall be conclusive and binding.

SECTION 3.03 Conditions to Advances after the Closing Date. The obligation of each Lender to make an Advance on any date after the Closing Date and during the Availability Period is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

- (a) Each of the Effective Date and the Closing Date shall have occurred.
- (b) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.
- (c) On the date of the applicable borrowing request and on the proposed date of such borrowing (i) no Certain Funds Default is continuing or would result from the proposed Borrowing and (ii) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.
- (d) All fees due and payable by the Borrower to the Arrangers, the Administrative Agent and the Lenders pursuant to paragraph 1(ii) of the Fee and Syndication Letter shall be paid or satisfied from the proceeds of the proposed Advance to the extent invoiced at least two Business Days prior to the date of the Advance by the relevant person and to the extent such amounts are payable on or before the date of such Advance.
- (e) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advances or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make Advances hereunder.

SECTION 3.04 Actions by Lenders During the Certain Funds Period. During the Certain Funds Period and notwithstanding (i) any provision to the contrary in the Loan Documents or (ii) that any condition set out in Sections 3.01, 3.02 or 3.03 may subsequently be determined to not have been satisfied or any representation given was incorrect in any material respect, none of the Lenders nor the Administrative Agent shall, unless a Certain Funds Default has occurred and is continuing or would result from a proposed borrowing or a Certain Funds Representation remains incorrect or, if a Certain Funds Representation does not include a materiality concept, incorrect in any material respect, be entitled to:

- (i) cancel any of its Commitments;
- (ii) rescind, terminate or cancel the Loan Documents or the Commitments or exercise any similar right or remedy or make or enforce any claim under the Loan Documents it may have to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;
- (iii) refuse to participate in the making of an Advance for Certain Funds Purposes unless the conditions set forth in Section 3.02 or, after the Closing Date, 3.03, as applicable, have not been satisfied;
- (iv) exercise any right of set-off or counterclaim in respect of an Advance to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes; or

- (v) cancel, accelerate or cause repayment or prepayment of any amounts owing under any Loan Document to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;

provided that immediately upon the expiry of the Certain Funds Period all such rights, remedies and entitlements shall be available to the Lenders and the Administrative Agent notwithstanding that they may not have been used or been available for use during the Certain Funds Period.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants on the Effective Date and the date of the making of each Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to each Advance are solely those set out in Sections 3.02 and 3.03, as applicable) as follows:

(a) The Borrower is duly organized, validly existing and in good standing (to the extent that such concept exists) under the laws of its jurisdiction of organization.

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, (i) are within the Borrower's organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (A) the Borrower's charter, articles of incorporation or by-laws or other organizational documents or (B) any law, regulation or contractual restriction binding on or affecting the Borrower and (iv) will not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Consolidated Group (other than Liens created or required to be created pursuant to the terms hereof), except, in the case of clause (iii)(B) and (iv), as would not be reasonably expected to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated hereby, other than (i) the Panel, as directed by the Panel pursuant to the requirements of the City Code, anti-trust regulators, as directed by anti-trust regulators, as contemplated by the Scheme Documents or (as the case may be) the Takeover Offer Documents or as is obtained by the time required and (ii) the Bank of Japan with respect to post-facto filings that may be required under the Foreign Exchange Act in connection with the performance of this Agreement.

(d) This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower. This Agreement and the other Loan Documents are legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(e) The Borrower has heretofore furnished to the Lenders (i) its consolidated balance sheet at March 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended March 31, 2017, in each case reported on by KPMG AZSA LLC, independent public accountants and (ii) the consolidated balance sheet of the Target as December 31, 2017 and the

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related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended December 31, 2017. Such financial statements (to the Borrower's knowledge with respect to the financial statements of the Target) present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Borrower and the Target, as applicable, and their respective consolidated Subsidiaries as of such dates and for such periods in accordance with IFRS and GAAP, as applicable, except as may be indicated in the notes thereto and subject to year-end audit adjustments and the absence of footnotes in the case of unaudited financial statements.

(f) There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), affecting the Consolidated Group pending or, to the knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, (a) would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Consolidated Group taken as a whole (other than the litigation set forth in the Disclosure Letter) or (b) would adversely affect the legality, validity and enforceability of any material provision of this Agreement in any material respect.

(g) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets of the Borrower and of the Consolidated Group, on a Consolidated basis, subject to the provisions of Section 5.02(a) will be Margin Stock. No part of the proceeds of any Advance have been used or will be used for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X of the Board.

(h) All written information (other than the Projections) concerning the Borrower, the Target and their Subsidiaries and the transactions contemplated hereby or otherwise prepared by or on behalf of the Borrower and its Subsidiaries and furnished to the Agents or the Lenders in connection with the negotiation of, or pursuant to the terms of, this Agreement when taken as a whole (and with respect to information regarding the Target Group, to the Borrower's knowledge), was true and correct in all material respects as of the date when furnished by such Person to the Agents or the Lenders and did not, taken as a whole, when so furnished contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not misleading in light of the circumstances under which such statements were made. The Projections and estimates and information of a general economic nature prepared by or on behalf of the Borrower or its Subsidiaries and that have been furnished by such Person to any Lenders or the Administrative Agent in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by such Person to be reasonable as of the date of such Projections (it being understood that actual results may vary materially from the Projections).

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect.

(j) [reserved].

(k) Neither the Borrower nor any ERISA Affiliate (i) is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan or has incurred any Withdrawal Liability that has not been satisfied in full or (ii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or has been determined to be in "endangered" or "critical" status (within the meaning of Section 432 of the Code or Section 305 of ERISA), and no such Multiemployer Plan is reasonably expected to be in reorganization or in "endangered" or "critical" status.

(l) (i) The operations and properties of the Consolidated Group comply, and have complied for the previous three years, in all respects with all applicable Environmental Laws and Environmental Permits except to the extent that the failure to so comply, either individually or in the aggregate, would not

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reasonably be expected to have a Material Adverse Effect; (ii) all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without any ongoing obligations or costs except to the extent that such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (iii) to the Borrower's knowledge, no circumstances exist that would be reasonably expected to (A) form the basis of an Environmental Action against a member of the Consolidated Group or any of its properties that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(m) (i) None of the properties currently or formerly owned or operated by a member of the Consolidated Group is listed or formally proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list; (ii) to the Borrower's knowledge, there are no, and never have been any, underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any property currently owned or operated by any member of the Consolidated Group or, to the Borrower's knowledge, on any property formerly owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (iii) to the Borrower's knowledge, there is no asbestos or asbestos-containing material on any property currently owned or operated by a member of the Consolidated Group the mitigation of which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and (iv) to the Borrower's knowledge, no Hazardous Materials have been released, discharged or disposed of on any property currently or formerly owned, leased or operated by a member of the Consolidated Group for which a member of the Consolidated Group could be expected to be made liable to remediate under Environmental Law except in each case as would not have a Material Adverse Effect.

(n) No member of the Consolidated Group is undertaking either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and, to the Borrower's knowledge, all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by a member of the Consolidated Group, or any offsite locations to which a member of the Consolidated Group sent Hazardous Materials for treatment or disposal, have been disposed of in a manner that, either individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(o) The Borrower is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(p) The Advances and all related obligations of the Borrower under this Agreement rank pari passu with all other unsecured obligations of the Borrower that are not, by their terms, expressly subordinate to the obligations of the Borrower hereunder.

(q) The proceeds of the Advances will be used in accordance with Section 2.16.

(r) The Borrower has implemented and maintains in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and directors and to the knowledge of the Borrower its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (i) the Borrower, any Subsidiary, any of their respective directors or officers or to the knowledge of

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the Borrower or such Subsidiary employees, or (ii) to the knowledge of the Borrower, any agent of the Borrower or any agent of any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

(s) No Borrowing or use of proceeds thereof or the Transactions will violate any applicable Anti-Corruption Law or applicable Sanctions.

(t) The Borrower has delivered to the Administrative Agent a complete and correct copy of the Scheme Documents (if and when issued) or, as the case may be, the Offer Documents (if and when issued), including all schedules and exhibits thereto. The release of the Offer Press Announcement and the posting of the Takeover Offer Documents if a Takeover Offer is pursued has been or will be, prior to their release or posting (as the case may be) duly authorized by the Borrower. Each of the material obligations of the Borrower under the Takeover Offer Documents is or will be, when entered into and delivered, the legal, valid and binding obligation of the Borrower, enforceable against such Persons in accordance with its terms in each case, except as may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the rights and remedies of creditors generally and (ii) general principles of equity.

(u) The Scheme Press Release and the Scheme Circular (in each case if and when issued) when taken as a whole: (i) except for the information that relates to the Target or the Target Group, do not (or will not if and when issued) contain (to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case)) any statements which are not in accordance with the material facts, or where appropriate, do not omit anything likely to affect the import of such information and (ii) contain all the material terms of the Scheme.

(v) If the Target Acquisition is effected by way of a Scheme, each of the Scheme Documents complies in all material respects with the Jersey Companies Law and the City Code, subject to any applicable waivers by or requirements of the Panel.

(w) The Borrower is not an EEA Financial Institution.

SECTION 4.02 Representations and Warranties of the Lenders and the Borrower. Each of the Borrower and each Lender represents and warrants on the Effective Date and the date of the making of each Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to each Advance are solely those set out in Sections 3.02 and 3.03, as applicable) that it is not classified, does not belong to nor is it associated with an Anti-Social Group, does not have an Anti-Social Relationship and has not engaged in Anti-Social Conduct, whether directly or indirectly through a third party.

ARTICLE V

COVENANTS

SECTION 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. (i) Comply, and cause each member of the Consolidated Group to comply, with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, compliance with ERISA and Environmental Laws), except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and (ii) maintain in effect and enforce policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

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(b) Payment of Taxes, Etc. Pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon a member of the Consolidated Group or upon the income, profits or property of a member of the Consolidated Group, in each case except to the extent that (i) the amount, applicability or validity thereof is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with applicable accounting standards have been provided or (ii) the failure to pay such taxes, assessments and charges, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) Maintenance of Insurance. Except where the failure to do so would reasonably be expected to result in a Material Adverse Effect, maintain, and cause each member of the Consolidated Group to maintain, insurance with responsible and reputable insurance companies or associations (or pursuant to self-insurance arrangements) in such amounts (after giving effect to any self-insurance which the Borrower believes (in the good faith judgement of management of the Borrower) is reasonable and prudent in light of the size and nature of its business) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which any member of the Consolidated Group operates.

(d) Preservation of Existence, Etc. Do, or cause to be done, all things necessary to preserve and keep in full force and effect its (i) existence and (ii) rights (charter and statutory) and franchises; provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5.02(b); and provided further that the Borrower shall not be required to preserve any such right or franchise if the management of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time during normal business hours (but not more than once annually if no Event of Default has occurred and is continuing), upon no less than ten (10) days' prior notice to the Borrower, permit the Administrative Agent or any of the Lenders, or any agents or representatives thereof coordinated through the Administrative Agent, to examine and make copies of and abstracts from the records and books of account, and visit the properties, of the Consolidated Group, and to discuss the affairs, finances and accounts of the Consolidated Group with any of the members of the senior treasury staff of the Borrower.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Consolidated Group sufficient to permit the preparation of financial statements in accordance with IFRS.

(g) Maintenance of Properties, Etc. Cause all of its properties that are used or useful in the conduct of its business or the business of any member of the Consolidated Group to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, except, in each case, where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(h) [Reserved].

(i) Reporting Requirements. Furnish to the Administrative Agent for further distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Consolidated Group as of the end of such quarter and Consolidated statements of income and cash flows of the Consolidated Group for the period commencing at the end of the previous fiscal year and ending with the end of such

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quarter, duly certified by the Chief Financial Officer or the Treasurer of the Borrower as having been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments);

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Consolidated Group, containing a Consolidated balance sheet of the Consolidated Group as of the end of such fiscal year and Consolidated statements of income and cash flows of the Consolidated Group for such fiscal year, in each case accompanied by an unqualified opinion or an opinion reasonably acceptable to the Required Lenders by KPMG AZSA LLC or other independent public accountants of recognized national standing;

(iii) simultaneously with each delivery of the financial statements referred to in subclauses (i)(i) and (i)(ii) of this Section 5.01, a certificate of the Chief Executive Officer, Chief Financial Officer or the Treasurer of the Borrower in substantially the form of Exhibit C hereto certifying that no Default or Event of Default has occurred and is continuing (or if such event has occurred and is continuing the actions being taken by the Borrower to cure such Default or Event of Default), including, if such covenant is tested at such time, setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03;

(iv) as soon as possible and in any event within five days after any Responsible Officer of the Borrower shall have obtained knowledge of the occurrence of each Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, in their capacity as such, and copies of all reports and registration statements that members of the Consolidated Group file with the Prime Minister of Japan through the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after a Responsible Officer of the Borrower obtains knowledge of the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, governmental agency or arbitrator affecting the Consolidated Group of the type described in Section 4.01(f)(b) subject, in each case, to any confidentiality, legal or regulatory restrictions relating to the supply of such information; and

(vii) such other information respecting the Consolidated Group as any Lender through the Administrative Agent may from time to time reasonably request.

The Borrower shall be deemed to have delivered the financial statements and other information referred to in paragraphs (i), (ii) and (v) above when such financial statements and other information have been posted on the Borrower's internet website or the website of the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange (in each case, to the extent such website is accessible by the Lenders without charge) and the Borrower has notified the Administrative Agent by electronic mail of such posting. If the Administrative Agent requests hard copies of such financial statements and other information, the Borrower shall furnish these to the Administrative Agent provided that no request shall affect that delivery has deemed to occur in accordance with the immediately preceding sentence.

(j) The Scheme and Related Matters. To the extent applicable, the Borrower shall or it shall procure that the applicable members of the Consolidated Group shall:

(i) Issue a Scheme Press Release or, as the case may be, an Offer Press Announcement, (in the form delivered to the Administrative Agent pursuant to Section 3.01(e), subject to such amendments as

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are not material to the interests of the Lenders or have been approved by the Arrangers in writing (such approval not to be unreasonably withheld, delayed or conditioned)) within five Business Days of the Effective Date (such issued document, the “Original Scheme Press Release” or “Original Offer Press Announcement”, as applicable).

(ii) Provide evidence that a Scheme Circular or (if the Target Acquisition is effected by way of a Takeover Offer) a Takeover Offer Document is issued and dispatched as soon as is reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Scheme Press Release or Offer Press Announcement, as applicable unless, during that period the Borrower has elected to convert the Target Acquisition from a Scheme to a Takeover Offer, or vice versa (in which case the Scheme Circular or Takeover Offer Document, as applicable) shall be issued and dispatched as soon as reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Scheme Press Release or an Offer Press Announcement, as applicable.

(iii) Comply in all material respects with the City Code (subject to any waivers or dispensations granted by the Panel or the Court) and all other applicable laws and regulations in relation to any Takeover Offer or Scheme.

(iv) Except as consented to by the Arrangers in writing (such consent not to be unreasonably withheld, delayed or conditioned) and save to the extent that following the issue of a Scheme Press Release or an Offer Press Announcement the Borrower elects to proceed with the Target Acquisition by way of Takeover Offer or Scheme respectively, ensure that (i) if the Target Acquisition is effected by way of a Scheme, the Scheme Circular corresponds in all material respects to the terms and conditions of the Scheme as contained in the Scheme Press Release to which it relates or (ii) if the Target Acquisition is effected by way of a Takeover Offer, the Takeover Offer Document corresponds in all material respects to the terms and conditions of the Takeover Offer as contained in the corresponding Offer Press Announcement, subject to any variation required by the Court and to any variations required by the Panel or which are not materially adverse to the interests of the Lenders (or where the prior written consent of the Arrangers has been given).

(v) Ensure that the Scheme Documents or, if the Target Acquisition is effected by way of a Takeover Offer, the Offer Documents, provided to the Arrangers contain all the material terms and conditions of the Scheme or Takeover Offer, as at that date, as applicable.

(vi) Not make or approve any increase in the proposed amount of cash consideration payable per Target Share or make any other acquisition of any Target Share (including pursuant to a Takeover Offer) at a price that results in an increase in the cash consideration payable per Target Share stated in the Original Scheme Press Release or Original Offer Press Announcement, (as the case may be), unless such modification in price is not materially adverse to the interests of the Lenders (or where the prior written consent of the Arrangers has been given).

(vii) Except as consented to by the Arrangers in writing in the event that the matter is material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed, or conditioned), not (i) amend or waive any term of the Scheme Documents or the Takeover Offer Documents, as applicable, in a manner materially adverse to the interests of the Lenders from those in the Original Scheme Press Release or the Original Offer Press Announcement, as the case may be, or (ii) if the Target Acquisition is proceeding as a Takeover Offer, amend or waive the Acceptance Condition, save for, (A) in the case of clause (i), any amendment or waiver required by the Panel, the City Code, a court or any other applicable law, regulation or regulatory body, (B) in the case of clause (ii), a waiver of the Acceptance Condition to permit the Takeover Offer to become unconditional with acceptance of Target Shares (excluding any shares held in treasury) which, when aggregated with all Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares

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(excluding any shares held in treasury) as at the date on which the Takeover Offer is declared unconditional as to acceptances, (C) in the case of clause (i) and any condition detailed in the Scheme Press Release or Offer Press Announcement (as appropriate), any waiver of a condition, which such condition would not have entitled the Borrower to lapse the Scheme or Takeover Offer (as the case may be) under rule 13.5(a) of the Takeover Code or (D) an extension of the Long Stop Date (as defined in the Original Offer Press Announcement) in the event that any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Original Offer Press Announcement) has not been satisfied by the date falling 12 months after the date of this Agreement.

(viii) Not take any action which would require the Borrower to make a mandatory offer for the Target Shares in accordance with Rule 9 of the City Code.

(ix) Provide the Administrative Agent with copies of each Offer Document or Scheme Document (as applicable) and such information as it may reasonably request regarding, in the case of a Takeover Offer, the current level of acceptances subject to any confidentiality, legal, regulatory or other restrictions relating to the supply of such information.

(x) Promptly deliver to the Administrative Agent the receiving agent certificate issued under Rule 10 of the City Code (if the Target Acquisition is being pursued pursuant to a Takeover Offer), any written agreement between the Borrower or its Affiliates and Target to the extent material to the interests of the Lenders (as reasonably determined by the Borrower) in relation to the consummation of the Target Acquisition (in each case, upon such documents or agreements being entered into by a member of the Consolidated Group), and all other material announcements and documents published by the Borrower or delivered by the Borrower to the Panel pursuant to the Takeover Offer or Scheme (other than the cash confirmation) and all legally binding agreements entered into by the Borrower in connection with a Takeover Offer or Scheme, in each case to the extent the Borrower, acting reasonably, anticipates they will be material to the interests of the Lenders in connection with the Transactions, except to the extent it is prohibited by legal (including contractual) or regulatory obligations from doing so.

(xi) In the event that a Scheme is switched to a Takeover Offer or vice versa, (which the Borrower shall be entitled to do on multiple occasions provided that it complies with the terms of this Agreement), (i) within the applicable time periods provided in the definition of "Mandatory Cancellation Event", procure that an Offer Press Announcement or Scheme Press Release, as the case may be, is issued, and (ii) except as consented to by the Arrangers in writing where such matters are material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed or conditioned), ensure that (A) where the Target Acquisition is then proceeding by way of a Takeover Offer, the terms and conditions contained in the Offer Document include the Acceptance Condition and (B) except for any reference in the Scheme Documents to the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of the Target, the conditions to be satisfied in connection with the Target Acquisition and contained in the Offer Documents or the Scheme Documents (whichever is applicable) are otherwise consistent in all material respects with those contained in the Offer Documents or Scheme Documents (whichever applied to the immediately preceding manner in which it was proposed that the Target Acquisition would be effected) (to the extent applicable for the legal form of a Takeover Offer or Scheme, as the case may be), in each case other than (i) in the case of clause (B), any changes permitted or required by the Panel or the City Code or any court of competent jurisdiction or are required to reflect the change in legal form to a Takeover Offer or Scheme or (ii) changes that could have been made to the Scheme or a Takeover Offer in accordance with the relevant provisions of this Agreement or which reflect the requirements of the terms of this Agreement and the manner in which the Target Acquisition may be effected, including, without limitation, changes to the price per Target Share which are made in accordance with

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the relevant provisions of this Agreement or any other agreement between the Borrower and the Arrangers.

(xii) In the case of a Takeover Offer, (i) not declare the Takeover Offer unconditional as to acceptances until the Acceptance Condition has been satisfied and (ii) promptly upon the Borrower acquiring Target Shares which represent not less than 90% in nominal value of the Target Shares to which the Takeover Offer relates or, if the Takeover Offer relates to Target Shares of different classes, not less than 90% in nominal value of the shares of any class to which the Takeover Offer relates, ensure that notices under Article 117 of the Jersey Companies Law in respect of Target Shares that the Borrower has not yet agreed to directly or indirectly acquire are issued.

(xiii) In the case of a Scheme, within 90 days of the Scheme Effective Date, and in relation to a Takeover Offer, within 90 days after the later of (i) the Closing Date and (ii) the date upon which the Borrower (directly or indirectly) owns and/or has agreed to own or acquire and has received valid acceptances (which have not been withdrawn or cancelled) of Target Shares (excluding any shares held in treasury) in respect of, which, when aggregated with all other Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury), procure that such action as is necessary is taken to de-list the Target Shares from the Official List of the Financial Conduct Authority and to cancel trading in the Target Shares on the main market for listed securities of the London stock exchange and as soon as reasonably practicable thereafter, and subject always to the Jersey Companies Law and any applicable listing rules, use its reasonable endeavors to re-register Target as a private limited company.

(xiv) Except as consented by the Arrangers in writing, not give its consent with respect to any frustrating action of the Target pursuant to Rule 21.1(c)(ii) of the City Code.

(k) Use of Proceeds. The proceeds of the Advances will be used in accordance with the provisions of Section 2.16. No part of the proceeds of any Advance will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. The Borrower will not request any Borrowing, and the Borrower shall not use, and the Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing (i) for payments to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, Japan, the United Kingdom or in a European Union member state or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

(l) Anti-Social Conduct; Anti-Social Groups. Each party hereto shall ensure that (i) it is not classified as an Anti-Social Group, nor shall any such party have any Anti-Social Relationship nor engage in any Anti-Social Conduct, whether directly or indirectly through a third party and (ii) it shall not make any claim against any other party hereto for any damages or losses suffered or incurred as a result of such other party exercising its rights under this Agreement as a result of any breach of this clause (l) or any misrepresentation in connection with Section 4.02.

The Borrower hereby acknowledges that the Administrative Agent and/or the Arrangers will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar secure electronic system (the "Platform").

Certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its respective Affiliates, or the respective securities of

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any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC"; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of the FIEA or United States Federal and state securities laws (provided, however, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 9.08); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designed "Public Side Information"; and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information." Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC."

For purposes of the foregoing paragraph, with respect to the Company or its affiliates or securities, the term "material non-public information" shall include, without limitation (i) "material facts" (*juyo jijitsu*) as prescribed in Paragraph 2, Article 166 (Prohibited Acts of Corporate Insiders) of the FIEA and/or (iii) "issuer related information" (*hojin kankei jyouho*) as defined in Item 14, Paragraph 4, Article 1 of the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52 of August 6, 2007), meaning any information relating to the operation, business or asset of the Company which is material non-public information and, if it were made public, would likely to have an effect on the investment decision of the investors and any non-public information in relation to a launch or a cancellation of a TOB of shares of common stock of the Company.

SECTION 5.02 Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Incur, issue, assume or guarantee, or permit any member of the Consolidated Group to incur, issue, assume or guaranty, at any time, any Borrowed Debt secured by a Lien on any property or asset now owned or hereafter acquired by the Borrower or any member of the Consolidated Group (other than Unrestricted Margin Stock), without effectively providing that the Advances outstanding at such time (together with, if the Borrower shall so determine, any other Borrowed Debt of the Borrower or such member of the Consolidated Group existing at such time or thereafter created that is not subordinate to the Advances) shall be secured equally and ratably with (or prior to) such secured Borrowed Debt, so long as such secured Borrowed Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Borrowed Debt would not exceed \$2,500,000,000; provided, however, that this Section 5.02(a) shall not apply to, and there shall be excluded from secured Borrowed Debt in any computation under this Section 5.02(a), Borrowed Debt secured by:

(i) Liens on property of, or on any shares of stock or Borrowed Debt of, any Person existing at the time such Person becomes a member of the Consolidated Group;

(ii) Liens in favor of any member of the Consolidated Group;

(iii) Liens incurred in the ordinary course of business to secure the performance of tenders, statutory or regulatory obligations, surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) Liens on property of a member of the Consolidated Group in favor of the United States or any State thereof, or any department, agency or instrumentality or political subdivision of the United States or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute;

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(v) Liens on property (including that of the Target and its Subsidiaries), shares of stock or Borrowed Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction or improvement cost thereof or to secure any Debt incurred prior to, at the time of, or within 180 days after, the acquisition of such property or shares or Borrowed Debt or the completion of any such construction or improvement for the purpose of financing all or any part of the purchase price or construction or improvement cost thereof;

(vi) Liens existing on the Effective Date;

(vii) (x) bankers' Liens, rights of setoff, revocation, refund, chargeback or overdraft protection, and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower or any member of the Consolidated Group, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements and (y) Liens or rights of setoff against credit balances of the Borrower or any member of the Consolidated Group with credit card issuers or credit card processors or amounts owing by payment card issuers or payment card processors to Borrower or any member of the Consolidated Group in the ordinary course of business;

(viii) Liens arising from any monetization, securitization or other financing of accounts receivable or other receivables (including any related rights or claims) or in connection with factoring programs entered into in the ordinary course of business and consistent with past practice and on a non-recourse basis to the Borrower and its Subsidiaries; provided, that such Liens do not encumber any property or assets other than the accounts receivable or other receivables (including any related rights or claims) subject to such monetization, securitization, financing or factoring arrangement and any proceeds of the foregoing; provided, further, that the aggregate principal amount of the obligations secured by such Liens shall not exceed (x) prior to the Closing Date, \$750,000,000 or (y) on or after the Closing Date, \$1,500,000,000.

(ix) Liens incurred in connection with pollution control, industrial revenue or similar financing;

(x) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases, licenses, special assessments, rights of way covenants, conditions, restrictions and declarations on or with respect to the use of real property, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of the business of the Borrower or any member of the Consolidated Group; and

(xi) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Borrowed Debt secured by any Lien referred to in subclauses (i) through (x) of this Section 5.02(a); provided, that (i) such extension renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Debt that secured the Lien extended, renewed or replaced (plus improvements on such property) and (ii) the Borrowed Debt secured by such Lien at such time is not increased.

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(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock) (whether now owned or hereafter acquired) to, any Person, or permit any member of the Consolidated Group to do so, except that:

(i) any member of (x) the Consolidated Group other than the Borrower may merge or consolidate with or into or (y) the Consolidated Group may dispose of assets to, in each case, any other member of the Consolidated Group;

(ii) the Borrower may merge with any other Person so long as (A) the Borrower is the surviving entity or (B) the surviving entity shall succeed, by agreement reasonably satisfactory in form and substance to the Required Lenders, to all of the businesses and operations of the Borrower and shall assume all of the rights and obligations of the Borrower under this Agreement and the other Loan Documents (it being understood that notwithstanding the foregoing, the consummation of the Transactions shall not be prohibited by this Section 5.02(b) or otherwise pursuant hereto);

(iii) any member of the Consolidated Group (other than the Borrower) may merge or consolidate with or into another Person, convey, transfer, lease or otherwise dispose of all or any portion of its assets so long as (A) the consideration received in respect of such merger, consolidation, conveyance, transfer, lease or other disposition is at least equal to the fair market value of such assets and (B) no Material Adverse Effect would reasonably be expected to result from such merger, consolidation, conveyance, transfer, lease or other disposition;

provided, in the cases of clause (i), (ii) and (iii) hereof, that no Default or Event of Default (or, during the Certain Funds Period, no Certain Funds Default) shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Change the Borrower's fiscal year-end from March 31 of each calendar year.

(d) Change in Nature of Business. Make any material change in the nature of the business of the Consolidated Group, taken as a whole, from that carried out by the Borrower and its Subsidiaries (other than the Target and its Subsidiaries) on the Effective Date and by Target and its Subsidiaries on the Closing Date; it being understood that this Section 5.02(d) shall not prohibit (i) the Transactions or (ii) members of the Consolidated Group from conducting any business or business activities incidental or related to such business as carried on as of the Effective Date (in the case of the Borrower and its Subsidiaries other than the Target and its Subsidiaries) or as of the Closing Date (in the case of the Target and its Subsidiaries) or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

(e) Subsidiary Debt. Permit any of its Subsidiaries to create or suffer to exist any Borrowed Debt other than:

(i) Borrowed Debt existing on the Effective Date and disclosed to the Lenders prior to the date hereof (the "Existing Debt");

(ii) Borrowed Debt of any Person (including the Target or any of its Subsidiaries) that becomes a Subsidiary after the date hereof; provided that such Borrowed Debt exists at the time such Person becomes a Subsidiary of the Borrower and is not created in contemplation of or in connection with such Person becoming a Subsidiary of the Borrower;

(iii) Borrowed Debt of any Subsidiary owed to any member of the Consolidated Group;

(iv) Borrowed Debt secured by Liens of the type described in and to the extent permitted by Sections 5.02(a)(iii), (iv), (v), (ix) and (xi) (to the extent it applies to Borrowed Debt secured by Liens referred to in Sections 5.02(a)(iii), (iv), (v) or (ix));

- (v) Borrowed Debt under ordinary course working capital or overdraft facilities;
- (vi) Borrowed Debt consisting of commercial paper;
- (vii) Borrowed Debt consisting of purchase money indebtedness; and
- (viii) Borrowed Debt in an aggregate outstanding principal amount at any time not exceeding \$2,500,000,000;

SECTION 5.03 Financial Covenant. Consolidated Net Debt to Consolidated EBITDA. Beginning on the last day of the first full fiscal half year ending after the Closing Date and on the last day of each fiscal half year ending thereafter, the Borrower will not permit, as of the last day of any such fiscal half year, the ratio of (x) Consolidated Net Debt at such time to (y) Consolidated EBITDA of the Borrower for the four consecutive fiscal quarter period ending as of such date to exceed, for the last day of each fiscal half year ending on or prior to September 30, 2019, 5.95 to 1.00, and for the last day of the fiscal half year ending March 31, 2020 and for the last day of each fiscal half year thereafter, 5.35 to 1.00.

For purposes of calculating the aggregate principal amount of the Consolidated Net Debt of the Borrower on any such date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail (i) to pay any principal of any Advance when the same becomes due and payable or (ii) to pay any interest on any Advance or make any payment of fees or other amounts payable under this Agreement within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or in any other Loan Document (or any of its officers or directors) in connection with this Agreement or in any certificate or other document furnished pursuant to or in connection with this Agreement, if any, in each case shall prove to have been incorrect in any material respect when made or deemed made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d)(i), 5.01(i)(iv), 5.01(j), 5.02(a), 5.02(b), 5.02(d), 5.03, 9.01(b) or (ii) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e) or clauses (i)-(iii) or (v)-(vii) of Section 5.01(i) if such failure shall remain unremedied for 10 Business Days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement, if any, in each case on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(d) The Borrower or any Significant Subsidiary shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount, or, in the case of any Hedge Agreement, having a

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maximum Agreement Value, of at least \$200,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Significant Subsidiary, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; it being understood and agreed that notwithstanding the foregoing, the delivery of a notice of prepayment by one or more lenders under the Existing Target Indebtedness as a result of the occurrence of the Target Acquisition will not result in an Event of Default under this clause (d); provided that this clause (d) will apply to the extent there is a failure to make any such prepayment when the same becomes due and payable; or

(e) The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of 60 days; or the Borrower or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this Section 6.01(e). With respect to the Borrower or any Significant Subsidiary organized under the laws of Japan, the following shall constitute an Event of Default: if (i) the Borrower makes an express declaration or implicit declaration of its inability to pay its debts to its creditors generally (*shiharai teishi*); (ii) a bank clearinghouse refuses to process the Borrower's checks (*tegata torihiki teishi shobun*); or densai.net Co., Ltd. (iii) an order is issued by a court for the attachment (whether preliminary or otherwise) or preservation of the Borrower's material property, estate or other right and is not discharged within sixty (60) days; (iv) a receiver or trustee is appointed for all or a portion of the property or estate of the Borrower; (v) an involuntary petition for commencement of bankruptcy (*hasan*), corporate reorganization (*kaisha kosei*), civil rehabilitation (*minji saisei*), special liquidation (*tokubetsu seisan*) or similar proceedings are filed against the Borrower and are not discharged within sixty (60) days; (vi) the Borrower files a voluntary petition (including a petition filed by a director of the Borrower) to commence, or a court of competent jurisdiction approves an involuntary petition with respect to and commences the procedure of, any of the proceedings specified in subparagraph (v) above; (vii) a voluntary petition to commence a special conciliation proceeding (*tokutei choutei*); or (viii) the Borrower adopts a resolution for liquidation at a meeting of its shareholders; or

(f) Any one or more judgments or orders for the payment of money in excess of \$200,000,000 shall be rendered against a member of the Consolidated Group and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that, for purposes of determining whether an Event of Default has occurred under this Section 6.01(f), the amount of any such judgment or order shall be reduced to the extent that (A) such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (B) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, such judgment or order; or

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(g) Any Person shall become an owner (*hoyusha*) or two or more Persons shall become joint owners (*kyodo hoyusha*) (in each case within the meaning of Articles 27-23 of the FIEA) of Voting Stock of the Borrower (or other securities convertible into or exchangeable for such Voting Stock) representing 50% or more of the combined voting power of all Voting Stock of the Borrower (as calculated pursuant to Article 27-23, Paragraph 4 of the FIEA); or

(h) One or more of the following shall have occurred or is reasonably expected to occur, which in each case would reasonably be expected to result in a Material Adverse Effect: (i) any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; or (iii) the termination of a Multiemployer Plan; or

(i) This Agreement shall cease to be valid and enforceable against the Borrower (except to the extent it is terminated in accordance with its terms) or the Borrower shall so assert in writing;

then, and in any such event (subject to Section 3.04), the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, (but for the avoidance of doubt, always subject to Section 3.04) that in the event of an Event of Default under Section 6.01(e), (A) the Commitment of each Lender shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything in this Agreement to the contrary, for a period commencing on the Closing Date and ending on the date falling 180 days after the Closing Date (the “Clean-up Date”), notwithstanding any other provision of any Loan Document, any breach of covenants, misrepresentation or other default which arises with respect to the Target Group will be deemed not to be a breach of representation or warranty, a breach of covenant or an Event of Default, as the case may be, if:

- (i) it is capable of remedy and reasonable steps are being taken to remedy it;
- (ii) the circumstances giving rise to it have not knowingly been procured by or approved by the Borrower; and
- (iii) it is not reasonably likely to have a Material Adverse Effect.

If the relevant circumstances are continuing on or after the Clean-up Date, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be, notwithstanding the above.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby irrevocably appoints JPMorgan Chase Bank, N.A. (or any branch or Affiliate thereof designated by it) to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are

reasonably incidental thereto. The provisions of this Article VII (other than the third sentence of Section 7.04) are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions (other than the third sentence of Section 7.04).

SECTION 7.02 Administrative Agent Individually. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity as a Lender. Such Person and its Affiliates may accept deposits from, own securities of, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any member of the Consolidated Group or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 7.03 Duties of Administrative Agent; Exculpatory Provisions.

(a) The Administrative Agent’s duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature, and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein or in any other Loan Document. Without limiting the generality of the foregoing, the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in any other Loan Document); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 9.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until the Borrower or any Lender shall have given notice to the Administrative Agent describing such Default or Event of Default.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement or any other Loan Document or the information memorandum distributed in connection with the syndication of the Commitments and Advances hereunder, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any “know your customer” or other checks in relation to any person on

behalf of any Lender, and each Lender confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

SECTION 7.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the Effective Date, the making of any Advance or the Closing Date that by its terms must be fulfilled to the satisfaction of a Lender, each Lender shall be deemed to have consented to, approved or accepted such condition unless (i) an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the occurrence of the Effective Date, the making of such Advance or the Closing Date, as applicable, and (ii) in the case of a condition to the making of an Advance, such Lender shall not have made available to the Administrative Agent such Lender's ratable portion of such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each such sub agent and the Related Parties of the Administrative Agent and each such sub agent shall be entitled to the benefits of all provisions of this Article VII and Section 9.04 (as though such sub-agents were the "Administrative Agent" under this Agreement) as if set forth in full herein with respect thereto.

SECTION 7.06 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right (with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), to appoint a successor, which shall be a bank with an office in the United States or Tokyo, or an Affiliate of any such bank with an office in the United States or Tokyo. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders (and with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (ii) except for any indemnity payments owed to the retiring Administrative Agent, all payments, communications and determinations to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor

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shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent (other than any rights to indemnity payments owed to the retiring Administrative Agent), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article VII and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 7.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any other Lender and their respective Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Advances hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any amendment thereof or any other Lender and their respective Related Parties and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder. Nothing in this Agreement shall oblige the Administrative Agent to conduct any "know your customer" or other procedures in relation to any Person or any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender, on behalf of any Lender and each Lender confirms to the Administrative Agent that it is solely responsible for any such procedures or check it is required to conduct and that it shall not rely on any statement in relation to such procedures or check made by the Administrative Agent.

SECTION 7.08 Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances made by each of them (or, if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, in each case, acting in the capacity of Administrative Agent; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not promptly reimbursed for such expenses by the Borrower.

SECTION 7.09 Other Agents. None of the Lenders identified on the facing page or signature pages of this Agreement as an "arranger" or "book runner" shall have any right, power, obligation, liability, responsibility

or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE VIII

[RESERVED]

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc.

(a) Except as provided in Section 2.08(c), no amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing, do any of the following:

(i) waive any of the conditions specified in Section 3.01, 3.02 or 3.03 unless signed by each Lender directly and adversely affected thereby;

(ii) increase or extend the Commitments of a Lender or subject a Lender to any additional obligations, unless signed by such Lender;

(iii) reduce the principal of, or stated rate of interest on, the Advances, the stated rate at which any fees hereunder are calculated or any other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Interest" or to waive any obligation of the Borrower to pay Default Interest (except that no amendment entered into pursuant to the terms of Section 2.08(c) shall constitute a reduction in the rate of interest or fees for purposes of this clause (ii));

(iv) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby;

(v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that, in each case, shall be required for the Lenders or any of them to take any action hereunder, unless signed by all Lenders; or

(vi) amend this Section 9.01, unless signed by all Lenders.

and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement. Notwithstanding the foregoing, the Administrative Agent and the Borrower may amend any Loan Document to correct any errors, mistakes, omissions, defects or inconsistencies, or to effect administrative changes that are not adverse to any Lender, and such amendment shall become effective without any further consent of any other party to such Loan Document other than the Administrative Agent and the Borrower.

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(b) Notwithstanding the foregoing, in the event that the terms of this Agreement are required to be modified as specified in the applicable provisions of the Fee and Syndication Letter, then this Agreement may be amended (to the extent not adverse to the interests of the Lenders) by the Administrative Agent and the Borrower without the need to obtain the consent of any Lender. In furtherance of the foregoing, the Borrower agrees to promptly execute and deliver any amendment to this Agreement requested by the Administrative Agent as shall be necessary to implement any modification to this Agreement pursuant to the terms of the Fee and Syndication Letter within five Business Days of any such request.

(c) If, in connection with any proposed amendment, waiver or consent requiring the consent of “all Lenders,” “each Lender” or “each Lender directly and adversely affected thereby,” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a “Non-Consenting Lender”), then the Borrower may elect to replace a Non-Consenting Lender as a Lender party to this Agreement; provided that, concurrently with such replacement, (i) another bank or other entity (which is reasonably satisfactory to the Borrower and the Administrative Agent) shall agree, as of such date, to purchase at par for cash the Advances and other obligations under the Loan Documents due to the Non-Consenting Lender pursuant to an Assignment and Acceptance and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date, and (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement all principal, interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower to and including the date of termination. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Acceptance executed by the Borrower, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Acceptance by reference pursuant to an approved electronic platform as to which the Administrative Agent and such parties are participants), and (b) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

SECTION 9.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be in writing (including teletypewriter) and mailed, teletyped or delivered, if to the Borrower or the Administrative Agent, to the address, teletypewriter number or if applicable, electronic mail address, specified for such Person on Schedule II; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed or teletyped, be effective three Business Days after being deposited in the mails, postage prepaid, or upon confirmation of receipt (except that if electronic confirmation of receipt is received at a time that the recipient is not open for business, the applicable notice or communication shall be effective at the opening of business on the next business day of the recipient), respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VII shall not be effective until received by the Administrative Agent. Delivery by teletypewriter or other electronic communication of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any

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Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any communication has been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement. Each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States federal or state securities laws.

(e) If any notice required under this Agreement is permitted to be made, and is made, by telephone, actions taken or omitted to be taken in reliance thereon by the Administrative Agent or any Lender shall be binding upon the Borrower notwithstanding any inconsistency between the notice provided by telephone and any

subsequent writing in confirmation thereof provided to the Administrative Agent or such Lender; provided that any such action taken or omitted to be taken by the Administrative Agent or such Lender shall have been in good faith and in accordance with the terms of this Agreement.

(f) With respect to notices and other communications hereunder from the Borrower to any Lender, the Borrower shall provide such notices and other communications to the Administrative Agent, and the Administrative Agent shall promptly deliver such notices and other communications to any such Lender in accordance with subsection (b) above or otherwise.

SECTION 9.03 No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

SECTION 9.04 Costs and Expenses. (a) The Borrower agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of each Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement and the other documents to be delivered hereunder, including, (i) due diligence expenses, syndication expenses, travel expenses and (ii) the reasonable and documented out-of-pocket fees, charges and expenses of a single primary counsel (and one local counsel in each relevant jurisdiction) for the Administrative Agent with respect thereto and with respect to advising the Agents as to their respective rights and responsibilities under this Agreement. The Borrower further agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of the Agents and the Lenders, if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder, including, without limitation, reasonable and documented out-of-pocket fees and expenses of a single primary counsel and an additional single local counsel in any relevant jurisdictions for the Agents and the Lenders and, solely in the case of an actual or perceived conflict of interest where the Agents notify the Borrower of the existence of such conflict in writing, one additional counsel, in connection with the enforcement of rights under this Agreement.

(b) The Borrower agrees to indemnify and hold harmless each Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, penalties, liabilities and expenses (provided, that, the Borrower's obligations to the Indemnified Parties in respect of fees and expenses of counsel shall be limited to the reasonable and documented out-of-pocket fees and expenses of one primary counsel for all Indemnified Parties, taken together, (and, if reasonably necessary, one local counsel in any relevant jurisdiction) and, solely in the case of an actual or potential conflict of interest of which you are notified in writing, of one additional counsel for all Indemnified Parties, taken together (and, if reasonably necessary, one local counsel in any relevant jurisdiction) (all such claims, damages, losses, penalties, liabilities and reasonable expenses being, collectively, the "Losses") that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) this Agreement, any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence or release of Hazardous Materials on any property of the Consolidated Group or any Environmental Action relating in any way to the Consolidated Group, in each case whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent Losses (A) are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnified Party or any of its Related Indemnified Parties (including any

breach of its obligations under this Agreement), (B) result from any dispute between an Indemnified Party and one or more other Indemnified Parties (other than against an Agent or Arranger acting in such a role) or (C) result from the claims of one or more Lenders solely against one or more other Lenders (and not claims by one or more Lenders against any Agent acting in its capacity as such except, in the case of Losses incurred by any Agent or any Lender as a result of such claims, to the extent such Losses are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement)) not attributable to any actions of a member of the Consolidated Group and for which the members of the Consolidated Group otherwise have no liability. The Borrower further agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its shareholders or creditors for or in connection with this Agreement or any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advances, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement). In no event, however, shall any Indemnified Party or the Borrower be liable on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings); provided that nothing in this sentence shall limit the Borrower's indemnity and reimbursement obligations to the extent that such special, indirect, consequential or punitive damages are included in any claim by a third party unaffiliated with any of the Indemnified Parties with respect to which the applicable Indemnified Party is entitled to indemnification as set forth in the immediately preceding sentence. As used above, a "Related Indemnified Party" of an Indemnified Party means (1) any Controlling Person or Controlled Affiliate of such Indemnified Party, (2) the respective directors, officers, or employees of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates and (3) the respective agents, advisors or representatives of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, Controlling Person or Controlled Affiliate; provided that each reference to a Controlling Person, Controlled Affiliate, director, officer or employee in this sentence pertains to a Controlling Person, Controlled Affiliate, director, officer or employee involved in the structuring, arrangement, negotiation or syndication of the Bridge Facility and this Agreement. Notwithstanding the foregoing, this section 9.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.06, 2.08(b), 2.08(c), 2.10 or 2.12, (ii) acceleration of the maturity of the Advances pursuant to Section 6.01, (iii) a payment by an Eligible Assignee to any Lender other than on the last day of the Interest Period for such Advance upon an assignment of the rights and obligations of such Lender under this Agreement pursuant to Section 9.07 as a result of a demand by the Borrower pursuant to Section 9.07(a) or (iv) for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional reasonable losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or exchange in the case of Section 2.08 or 2.12, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder.

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SECTION 9.05 Right of Setoff. Subject to Section 3.04, upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application is made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 9.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 9.06 Binding Effect. This Agreement shall become effective upon the satisfaction (or waiver in accordance with Section 9.01) of the conditions set forth in Section 3.01 and, thereafter, shall be binding upon and inure to the benefit of, and be enforceable by, the Borrower, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that the Borrower shall have no right to assign their rights hereunder or any interest herein without the prior written consent of the Lenders, and any purported assignment without such consent shall be null and void.

SECTION 9.07 Assignments and Participations. (a) Each Lender may, with the consent of the Borrower and the Administrative Agent, which consents shall not be unreasonably withheld or delayed (it being agreed that notwithstanding anything herein, including the proviso set forth below, during the Certain Funds Period the Borrower may withhold such consent in its sole discretion unless a Certain Funds Default is continuing) and, in the case of the Borrower, (A) shall not be required while an Event of Default (or during the Certain Funds Period a Certain Funds Default) has occurred and is continuing and (B) shall be deemed given if the Borrower shall not have objected within 10 Business Days following its receipt of notice of such assignment (and, within five days after demand by the Borrower (with a copy of such demand to the Administrative Agent) to (i) any Defaulting Lender, (ii) any Lender that has made a demand for payment pursuant to Section 2.11 or 2.14, (iii) any Lender that has asserted pursuant to Section 2.08(b) or 2.12 that it is impracticable or unlawful for such Lender to make Eurocurrency Rate Advances or (iv) any Lender that fails to consent to an amendment or waiver hereunder for which consent of all Lenders (or all affected Lenders) is required and as to which the Required Lenders shall have given their consent, such Lender will), assign to one or more Persons (other than natural persons) all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it); provided, however, that:

(A) such consent shall not be required in the case of an assignment to any other Lender or an Affiliate of any Lender, provided that (i) notice thereof shall have been given to the Borrower and the Administrative Agent and (ii) solely with respect to assignments during the Certain Funds Period, such Affiliate has a rating for its long term unsecured and non-credit enhanced debt obligations which is not less than that of the relevant assigning Lender;

(B) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(C) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement associated with a particular Class, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$25,000,000 or an integral multiple of \$5,000,000 in excess thereof;

(D) each such assignment shall be to an Eligible Assignee;

(E) each such assignment made as a result of a demand by the Borrower pursuant to this Section 9.07(a) shall be arranged by the Borrower with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that, in the aggregate, cover all of the rights and obligations of the assigning Lender under this Agreement;

(F) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a), (1) so long as a Default shall have occurred and be continuing and (2) unless and until such Lender shall have received one or more payments from one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount, and from the Borrower or one or more Eligible Assignees in an aggregate amount equal to all other amounts accrued to such Lender under this Agreement (including, without limitation, any amounts owing under Sections 2.11, 2.14 or 9.04(c)) and (3) unless and until the Borrower shall have paid (or caused to be paid) to the Administrative Agent a processing and recordation fee of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(G) the parties to each such assignment (other than, except in the case of a demand by the Borrower pursuant to this Section 9.07(a), the Borrower) shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance and, if such assignment does not occur as a result of a demand by the Borrower pursuant to this Section 9.07(a) (in which case the Borrower shall pay the fee required by subclause (F)(3) of this Section 9.07(a)), a processing and recordation fee of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement, except that such assigning Lender shall continue to be entitled to the benefit of Section 9.04(a) and (b) with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the

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Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon any Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower; provided that the Administrative Agent shall only be required to execute any such Assignment and Acceptance once it has satisfied and complied with all necessary “know your customer” or similar checks under all applicable laws and regulations in relation to the proposed assignment to the assignee.

(d) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at its address as set forth on Schedule II a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount (and stated interest) of the Advances owing to, each Lender from time to time (the “Register”). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders shall treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates or any natural person) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it) without the consent of the Administrative Agent or the Borrower; provided, however, that:

(i) such Lender’s obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) such Lender shall remain the Lender of any such Advance for all purposes of this Agreement;

(iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement; and

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(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by the Borrower herefrom or therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or stated rate of interest on, the Advances or the stated rate at which any fees or any other amounts payable hereunder are calculated, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or any other amounts payable hereunder, in each case to the extent subject to such participation.

Each Lender shall promptly notify the Borrower after any sale of a participation by such Lender pursuant to this Section 9.07(e); provided that the failure of such Lender to give notice to the Borrower as provided herein shall not affect the validity of such participation or impose any obligations on such Lender or the applicable participant.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Advances or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Treasury Regulations Section 5f.103-1(c) and Proposed Treasury Regulations 1.163-5(b) (or any amended or successor version). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

The Borrower agrees that each participant shall be entitled to the benefits of Sections 2.11, 2.14 and 9.04(c) (subject to the requirements and limitations therein, including the requirements under Section 2.14(f) (it being understood that the documentation required under Section 2.14(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such participant (A) agrees to be subject to the provisions of Section 2.20 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.11 or 2.14, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from the occurrence, after the participant acquired the applicable participation, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty or (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Information relating to the Borrower received by it from such Lender as more fully set forth in Section 9.08.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation and the Advances owing to it) to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations in favor of any Federal Reserve Bank in accordance with Regulation A of the Board or any central bank having jurisdiction over such Lender.

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SECTION 9.08 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (provided that the Administrative Agent or such Lender, as applicable, agrees that it will, to the extent practicable and other than with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority, notify the Borrower promptly thereof, unless such notification is prohibited by law, rule or regulation), (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, or (iv) the CUSIP Service Bureau or any similar organization, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower. Each Lender acknowledges that its ability to disclose information concerning the Transactions is restricted by the City Code and the Panel and that Section 9.08 is subject to those restrictions.

For purposes of this Section, "Information" means this Agreement and the other Loan Documents and all information received from the Consolidated Group relating to the Consolidated Group or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by the Consolidated Group and other than information pertaining to this Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.09 Debt Syndication during the Certain Funds Period. Each of the Lenders and the Administrative Agent confirms that it is aware of the terms and requirements of Practice Statement No. 25 (Debt Syndication during Offer Periods) issued by the Panel.

SECTION 9.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or in a .pdf or similar file shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12 Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern

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District of New York, located in the Borough of Manhattan (or if such court lacks subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough of Manhattan), and any appellate court from any such court, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in any such New York State court or, to the extent permitted by law, in any such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.02. The Borrower irrevocably designates and appoints the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its authorized agent, to accept and acknowledge on its behalf, service of any and all process which may be served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City. Said designation and appointment shall be irrevocable by the Borrower. The Borrower hereby consents to process being served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City by service of process upon the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as provided in this Section 9.12(c); provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Service of Process Agent, and to the Borrower (with a copy thereof to the Service of Process Agent) at the address specified for such Person on Schedule II or at such other address as shall be designated by such party in a written notice to the Administrative Agent. The Borrower irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon the Borrower in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to the Borrower. To the extent the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of a judgment, execution or otherwise), the Borrower hereby irrevocably waives such immunity in respect of its obligations under the Loan Documents. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.13 Patriot Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lenders in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

SECTION 9.14 No Advisory or Fiduciary Responsibility. The Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Credit Party will have any obligations except those

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obligations expressly set forth herein and in the other Loan Documents and each Credit Party is acting solely in the capacity of an arm's length contractual counterparty to the Borrower with respect to the Loan Documents and the transaction contemplated therein and not as a financial advisor or a fiduciary to, or an agent of, the Borrower or any other person. The Borrower agrees that it will not assert any claim against any Credit Party based on an alleged breach of fiduciary duty by such Credit Party in connection with this Agreement and the transactions contemplated hereby. Additionally, the Borrower acknowledges and agrees that no Credit Party is advising the Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Credit Parties shall have no responsibility or liability to the Borrower with respect thereto.

The Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party, together with its Affiliates, is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, the Borrower and other companies with which the Borrower may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

In addition, the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from the Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Borrower in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. The Borrower also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to the Borrower, confidential information obtained from other companies.

SECTION 9.15 Waiver of Jury Trial. Each of the Borrower, the Administrative Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

SECTION 9.16 Conversion of Currencies. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the

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Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section 9.16 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

SECTION 9.18 Certain ERISA Matters.

- (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:
 - (i) such Lender is not using “plan assets” (within the meaning of Plan Asset Regulations) of one or more Benefit Plans in connection with the Commitments or Advances;
 - (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement, and the conditions for exemptive relief thereunder are and will continue to be satisfied in connection therewith,
 - (iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Commitments, the Advances and this Agreement, (C) the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement

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satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84- 14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement; or

- (iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.
- (b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or if such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that:
 - (i) none of the Administrative Agent or the Arrangers or their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),
 - (ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),
 - (iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies,
 - (iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Commitments, the Advances and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and
 - (v) no fee or other compensation is being paid directly to the Administrative Agent or any Arranger or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Commitments, the Advances or this Agreement.
- (c) The Administrative Agent and each Arranger hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Commitments, the Advances and this Agreement, (ii) may recognize a gain if it extended the Commitments or the Advances for an amount less than the amount being paid for an interest in the Commitments or the Advances by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees,

amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

- (d) The representations in this Section 8.09 are intended to comply with United States Department of Labor Regulations codified at 29 C.F.R. § 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). To the extent these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

SECTION 9.19 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Advance, together with all fees, charges and other amounts which are treated as interest on such Advance under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Advance in accordance with applicable law, the rate of interest payable in respect of such Advance hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Advance but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Advances or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Cost of Funds Rate to the date of repayment, shall have been received by such Lender. Notwithstanding the forgoing, if the Lender shall have received interest and/or Charges in an amount that exceeds the Maximum Rate, the excess interest and Charges shall be (i) applied to the principal of such Advance, (ii) if it exceeds such unpaid principal of such Advance, applied to the principal of other Advances held by such Lender, or (iii) if it exceeds such unpaid principal of other Advances, refunded to the Borrower. The Borrower represents and warrants to the Lenders that, as of the date of this Agreement, it falls into Article 2, Paragraph 1, Item 1 of the Act on Specified Commitment Line Contract (Act No. 4 of 1999).

SECTION 9.20 English Language.

- (a) Save where this Agreement expressly provides to the contrary, any notice given under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) in any other language required in respect of such notice by applicable law and accompanied by a certified English translation at the cost of the Borrower, which English translation will prevail in all circumstances.
- (b) All other documents provided under or in connection with this Agreement must be:
 - (iii) in English; or
 - (iv) if not in English, and if so required by the Administrative Agent, accompanied by a certified English translation at the cost of this Agreement and, in this case, the English translation will prevail in all circumstances unless the document is a constitutional, statutory or other official document.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED, as Borrower

By: /s/ Christophe Weber

Name: Christophe Weber

Title: Representative Director

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JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Takasuke Sekine

Name: Takasuke Sekine
Title: Managing Director

JPMORGAN CHASE BANK, N.A., TOKYO
BRANCH, as a Lender

By: /s/ Takasuke Sekine

Name: Takasuke Sekine
Title: Managing Director

SUMITOMO MITSUI BANKING CORPORATION,
as Lender

By: /s/ Masatoshi Morino

Name: Masatoshi Morino
Title: General Manager, Tokyo Corporate
Banking Department 8

MUFG BANK, LTD., as Lender

By: /s/ Kanetsugu Mike

Name: Kanetsugu Mike
Title: President & CEO

SCHEDULE I

COMMITMENTS

<u>LENDER</u>	<u>TRANCHE 1 COMMITMENT</u>	<u>TRANCHE 2 COMMITMENT</u>	<u>TRANCHE 3 COMMITMENT</u>	<u>TRANCHE 4 COMMITMENT</u>
JPMORGAN CHASE BANK, N.A.	\$10,362,000,000	\$ 0	\$5,063,000,000	\$ 0
SUMITOMO MITSUI BANKING CORPORATION	\$ 2,494,000,000	\$2,250,000,000	\$1,218,500,000	\$1,750,000,000
MUFG BANK, LTD.	\$ 2,494,000,000	\$2,250,000,000	\$1,218,500,000	\$1,750,000,000
AGGREGATE COMMITMENTS	<u>\$15,350,000,000</u>	<u>\$4,500,000,000</u>	<u>\$7,500,000,000</u>	<u>\$3,500,000,000</u>

SCHEDULE II

ADMINISTRATIVE AGENT'S OFFICE; CERTAIN ADDRESSES FOR NOTICE

BORROWER:

Takeda Pharmaceutical Company Limited
Corporate Finance Department
12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-8668 Japan
Attention: Chief Financial Officer
Telephone: 03-3278-2284
Facsimile: 03-3278-2198

cc:

Takeda Pharmaceutical Company Limited
One Takeda Parkway
Deerfield, IL 60015
Attention: General Counsel
Facsimile No.: (224) 554-7831

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ADMINISTRATIVE AGENT:

In the case of requests for Borrowings and other notices

JPMorgan Chase Bank, N.A.

Tokyo Building

7-3, Marunouchi 2-chome, Chiyoda-ku,

Tokyo 100-6432

Attention: Loan Agency Tokyo Branch

Facsimile: +81-3-6388-2534

E-Mail: loan.agency.tokyo.branch@jpmorgan.com

EXHIBIT A

FORM OF NOTICE OF BORROWING

JPMorgan Chase Bank, N.A.,
as Administrative Agent

JPMorgan Chase Bank, N.A.
Tokyo Building
7-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-6432
Attention: Loan Agency Tokyo Branch
Facsimile: +81-3-6388-2534

[Date]

Ladies and Gentlemen:

Reference is hereby made to the 364-Day Bridge Credit Agreement dated as of May 8, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Takeda Pharmaceutical Company Limited (the "Borrower"), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement. This notice constitutes a Notice of Borrowing and the Borrower hereby requests an Advance under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Advance requested hereby:

1. Principal amount of Advance: _____
2. Date of Advance (which is a Business Day): _____
3. Class of Advance¹: _____
4. [Interest Period²]: _____
5. Location and number of the Borrower's account to which proceeds of Advance are to be disbursed: _____

I, [____], hereby certify that I am the duly elected, qualified and acting [____] of the Borrower, and that, as such, I am authorized to execute and deliver this certificate on behalf of the Borrower. I further certify that, as of the date hereof, (x) no Certain Funds Default is continuing or would result from the borrowing requested herein and (y) all the Certain Funds Representations are true, or, if a Certain Funds Representation does not include a materiality construct, true in all material respects.

[Signature Page Follows]

¹ Tranche 1 Advance, Tranche 2 Advance, Tranche 3 Advance or Tranche 4 Advance.

² Applicable only in case of a Eurocurrency Rate Advance; if included, must comply with the definition of "Interest Period" and end not later than the Maturity Date.

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IN WITNESS WHEREOF, the undersigned has caused this Notice of Borrowing to be executed and delivered as of the date first above written.

Very truly yours,

TAKEDA PHARMACEUTICAL COMPANY
LIMITED, as the Borrower

By: _____

Name:

Title:

EXHIBIT B

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the “Assignment and Acceptance”) is dated as of the Assignment Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “Assignor”) and [*Insert name of Assignee*] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Assignment Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate of [identify Lender]³]
3. Borrower: Takeda Pharmaceutical Company Limited
4. Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement: The 364-Day Bridge Credit Agreement dated as of May 8, 2018 among Takeda Pharmaceutical Company Limited, as borrower, the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent
6. Assigned Interest:

<u>Facility Assigned⁴</u>	<u>Aggregate Amount of Commitment/Advances for all Lenders</u>	<u>Amount of Commitment/Advances Assigned</u>	<u>Percentage Assigned of Commitment/Advances⁵</u>
	\$	\$	%
	\$	\$	%
	\$	\$	%

³ Select as applicable.
⁴ Fill in the appropriate terminology for the Class of facilities under the Credit Agreement that are being assigned under this Assignment (e.g., “Tranche 1 Commitment”, “Tranche 2 Commitment”, “Tranche 3 Commitment”, “Tranche 1 Advance”, “Tranche 2 Advance”, “Tranche 3 Advance”, etc.).
⁵ Set forth, to at least 9 decimals, as a percentage of the Commitment/Advances of all Lenders thereunder.

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Assignment Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE ASSIGNMENT DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including U.S. Federal and state securities laws.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____

Name:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____

Name:

Title:

[Consented to and]⁶ Accepted:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: _____

Name:

Title:

[Consented to:]⁷

TAKEDA PHARMACEUTICAL COMPANY LIMITED

By: _____

Name:

Title:

⁶ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁷ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Assignment Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, any Arranger or any other Lender and their respective Related Parties, and (vi) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; (b) makes for itself as of the date hereof rather than the Effective Date, the representation and warranty concerning each Lender set forth in Section 9.18 of the Credit Agreement and (c) agrees that (i) it will, independently and without reliance on the Administrative Agent, any Arranger, the Assignor or any other Lender and their respective Related Parties, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

2. Payments. From and after the Assignment Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Assignment Date and to the Assignee for amounts which have accrued from and after the Assignment Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Acceptance and adoption of the terms of this Assignment and Acceptance by the Assignee and the Assignor by Electronic Signature or delivery of an executed counterpart of a signature page of this Assignment and Acceptance by any Electronic

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System shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

JPMorgan Chase Bank, N.A.
Tokyo Building
7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-6432
Attention: Loan Agency Tokyo Branch
Facsimile: +81-3-6388-2534

[Date]

Ladies and Gentlemen:

Reference is hereby made to the 364-Day Bridge Credit Agreement dated as of May 8, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Takeda Pharmaceutical Company Limited (the “Borrower”), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Administrative Agent”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned is the [**Chief Executive Officer / Chief Financial Officer / Treasurer**] of the Borrower (the “Authorized Officer”) and, as such, the undersigned is authorized to execute and deliver this Compliance Certificate to the Administrative Agent on behalf of the Borrower in accordance with Section 5.01(i)(iii) of the Credit Agreement. The Authorized Officer hereby certifies as follows, in his/her capacity as an officer of the Borrower and not in his/her individual capacity:

1. I have reviewed the terms of the Credit Agreement and I have made, or caused to be made under my supervision, a review in reasonable detail of the transactions and conditions of the Consolidated Group during the accounting period covered by the financial statements attached hereto as Annex I [**for quarterly financial statements add:** and such financial statements have been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments); [and]
2. The examinations described in paragraph 1 did not disclose[, except as set forth below], and I have no knowledge of the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate; [and]
 - a. [**Please specify in reasonable detail each condition or event which constitutes a Default or Event of Default and any action taken or proposed to be taken with respect thereto**]; [and]
3. [The Borrower is in compliance with the Consolidated Net Debt to Consolidated EBITDA covenant contained in Section 5.03 of the Credit Agreement as shown in the calculations attached hereto as Annex II.]

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ANNEX I

FINANCIAL STATEMENTS FOR PERIOD ENDING [_____]

[To be attached.]

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ANNEX II

CALCULATION OF CONSOLIDATED NET DEBT TO CONSOLIDATED EBITDA RATIO

[To be attached.]

AMENDMENT NO. 1

Dated as of June 8, 2018

to

364-DAY BRIDGE CREDIT AGREEMENT

Dated as of May 8, 2018

THIS AMENDMENT NO. 1 (this "Amendment") is made as of June 8, 2018 by and among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan, (the "Company"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), under that certain 364-Day Bridge Credit Agreement dated as of May 8, 2018 by and among the Company, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement;

WHEREAS, the Company, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Effective as of the Amendment No. 1 Effective Date (as defined below), the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended to add the following definition thereto in the appropriate alphabetical order:

"Exchange Rate" means on any day, for purposes of determining the Dollar equivalent of any currency, the rate at which such currency may be exchanged into Dollars at the time of determination on such day as quoted by Bloomberg on www.bloomberg.com/markets/currencies/fxc.html (and applying the Currency Converter set forth on such webpage), or as displayed on such other information service which publishes that rate of exchange from time to time in place of Bloomberg. In the event that such rate is not displayed by Bloomberg on the webpage specified in the immediately preceding sentence, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as the Administrative Agent shall elect after determining that such rates shall be the basis for determining the Exchange Rate; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method, in consultation with the Borrower, it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

(b) Article I of the Credit Agreement is hereby amended to add the following Section 1.06 at the end thereof:

SECTION 1.06. Currency Translations. For purposes of (i) determining the amount of Borrowed Debt incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(e), (ii) determining the amount of obligations secured by Liens incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(a) or (iii) determining the amount of Debt, the net assets of a Person or judgments outstanding under Section 6.01(d), (e) or (f), all amounts incurred, outstanding or proposed to be incurred or outstanding in currencies other than Dollars shall be translated into Dollars at the Exchange Rate on the applicable date; provided that no Default shall arise as a result of any limitation set forth in Dollars in Section 5.02(a) or (e) being exceeded solely as a result of changes in Exchange Rates from those rates applicable at the time or times Debt or obligations secured by Liens were initially consummated or acquired in reliance on the exceptions under such Sections.

(c) Section 2.05 of the Credit Agreement is hereby amended by deleting the phrase “hybrid securities denominated in Japanese Yen” each place such phrase appears and replacing it with the phrase “hybrid securities or loans denominated in Japanese Yen”.

(d) Section 2.07(a) of the Credit Agreement is hereby amended to restate clauses (i) and (ii) thereof in their entirety as follows:

“(i) Cost of Funds Rate Advances. During such periods as such Advance is a Cost of Funds Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Cost of Funds Rate for such Interest Period for such Advance and (B) the Applicable Margin, payable in arrears on (x) the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and (y) on the date such Cost of Funds Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clause (y) above, accrued but unpaid interest shall only be payable in respect of the principal amount of Advances prepaid or Converted on such date.”

“(ii) Eurocurrency Rate Advances. During such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurocurrency Rate for such Interest Period for such Advance, and (B) the Applicable Margin, payable in arrears on (x) the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and (y) on the date such Eurocurrency Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clause (y) above, accrued but unpaid interest shall only be payable in respect of the principal amount of Advances prepaid or Converted on such date.”

(e) The first sentence of Section 2.08(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(i) have not arisen but either (w) the supervisor for the administrator of the Screen Rate has made a public statement that the administrator of the Screen Rate is insolvent (and there is no successor administrator that will continue publication of the Screen Rate), (x) the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the

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Screen Rate), (y) the supervisor for the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.”

(f) Each of Section 2.11(c) and Section 2.12 of the Credit Agreement is hereby amended to replace the reference to “Section 8.07” appearing therein with a reference to “Section 9.07”.

(g) Section 5.01 of the Credit Agreement is hereby amended to replace each instance of the phrase “the Company” appearing therein with the phrase “the Borrower”.

(h) Section 5.02(c) of the Credit Agreement is hereby amended to add the following proviso at the end thereof:

“; provided that the Borrower may change its fiscal year-end to December 31 of each calendar year in connection with the Transactions.”

(i) Section 5.03 of the Credit Agreement is hereby amended and restated in its entirety as follows:

SECTION 5.03. Financial Covenant. Consolidated Net Debt to Consolidated EBITDA. Beginning on the later of (i) the last day of the first fiscal half year ending at least one full fiscal quarter after the Closing Date (which, for the avoidance of doubt, shall be no later than March 31, 2020) and (ii)(A) if the fiscal year-end is December 31, June 30, 2019 or (B) if the fiscal year-end is March 31, September 30, 2019 and on the last day of each fiscal half year ending thereafter, the Borrower will not permit, as of the last day of any such fiscal half year (each such date, the “Testing Date”), the ratio of (x) Consolidated Net Debt at such time to (y) Consolidated EBITDA of the Borrower for the four consecutive fiscal quarter period ending as of such date to exceed the ratio level set forth in the applicable table below for such applicable Testing Date:

<u>Testing Date (if fiscal year-end is March 31)</u>	<u>Ratio Level</u>
September 30, 2019 (if the Closing Date occurs on or prior to	
June 30, 2019)	5.95 to 1.00
March 31, 2020 and thereafter	5.35 to 1.00
<u>Testing Date (if fiscal year-end is December 31)</u>	<u>Ratio Level</u>
June 30, 2019 (if the Closing Date occurs on or prior to March 31,	
2019) and December 31, 2019	5.95 to 1.00
June 30, 2020 and thereafter	5.35 to 1.00

If a Testing Date would have occurred in the fiscal quarter in which the Borrower changed its fiscal year-end to December 31 (the “Fiscal Year Change”) but does not because of such Fiscal Year Change, the last day of such fiscal quarter shall be a Testing Date notwithstanding the Fiscal Year Change.

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For purposes of calculating the aggregate principal amount of the Consolidated Net Debt of the Borrower on any such date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

(j) Section 9.08(f) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, (iv) the CUSIP Service Bureau or any similar organization or (v) any Person to whom or for whose benefit such Lender has created a security interest in all or any portion of its rights under this Agreement pursuant to Section 9.07(g),”

(k) Section 9.18(d) of the Credit Agreement is hereby amended to replace the reference to “Section 8.09” appearing therein with a reference to “Section 9.18”.

2. Conditions of Effectiveness. The effectiveness of this Amendment (the “Amendment No. 1 Effective Date”) is subject to the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this Amendment duly executed by the Company and each of the Lenders.

(b) The Administrative Agent shall have received payment of the Administrative Agent’s and its affiliates’ fees and reasonable out-of-pocket expenses (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent) in connection with the Loan Documents to the extent invoiced at least one (1) Business Day prior to the Amendment No. 1 Effective Date.

3. Representations and Warranties of the Company. The Company hereby represents and warrants that this Amendment has been duly executed and delivered by the Company. This Amendment and the Credit Agreement as modified hereby constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the Amendment No. 1 Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import, and each reference to the Credit Agreement in any other Loan Document shall be deemed a reference to the Credit Agreement as amended hereby.

(b) Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

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(c) Except with respect to the subject matter hereof, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

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IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED, as the Company

By: /s/ Costa Saroukos

Name: Costa Saroukos

Title: Chief Financial Officer

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JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Takasuke Sekine
Name: Takasuke Sekine
Title: Managing Director

JPMORGAN CHASE BANK, N.A., TOKYO
BRANCH, as a Lender

By: /s/ Takasuke Sekine
Name: Takasuke Sekine
Title: Managing Director

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SUMITOMO MITSUI BANKING CORPORATION,
as a Lender

By: /s/ Makoto Takashima

Name: Makoto Takashima

Title: Representative Director

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MUFG BANK, LTD., as a Lender

By: /s/ Kanetsugu Mike

Name: Kanetsugu Mike

Title: Representative of the Board of Directors

\$7,500,000,000

TERM LOAN CREDIT AGREEMENT

Dated as of June 8, 2018

among

TAKEDA PHARMACEUTICAL COMPANY LIMITED,
as Borrower,

VARIOUS FINANCIAL INSTITUTIONS,
as Lenders,

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

JPMORGAN CHASE BANK, N.A., SUMITOMO MITSUI BANKING CORPORATION, MUFG
BANK, LTD. and MIZUHO BANK, LTD,
as Lead Arrangers and Bookrunners

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TERM LOAN CREDIT AGREEMENT

This Term Loan Credit Agreement (this “Agreement”) dated as of June 8, 2018 is among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan (the “Borrower”), the Lenders (as defined below) that are parties hereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (as defined below) for the Lenders.

RECITALS

WHEREAS, the Borrower intends to directly or indirectly acquire (the “Target Acquisition”) pursuant to the Offer Documents or Scheme Documents, as applicable (each as defined below) all of the outstanding shares of the Target which are subject to the Scheme or Takeover Offer (as the case may be), which acquisition will be effected pursuant to a Scheme or a Takeover Offer (each as defined below).

WHEREAS, in connection with the Target Acquisition, the Borrower has requested that the Lenders extend credit to the Borrower in the form of term loans in an aggregate principal amount not to exceed \$7,500,000,000 with the proceeds to be applied towards the Certain Funds Purposes (as defined below).

IN CONSIDERATION THEREOF the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Acceptance Condition” means, in respect of a Takeover Offer, the condition to the Takeover Offer with respect to the number of acceptances to the Takeover Offer which must be secured to declare the Takeover Offer unconditional as to acceptances (as set out in the Offer Press Announcement).

“Acquisition” means any acquisition (whether by purchase, merger, consolidation or otherwise) or series of related acquisitions by the Parent or any Subsidiary after the Effective Date of (i) at least a majority of the assets of (or at least a majority of the assets constituting a business unit, division, product line or line of business of) any Person, or (ii) at least the majority of the Equity Interests in a Person or division or line of business of a Person.

“Administrative Agent” means JPMorgan Chase Bank, N.A. (including its branches and affiliates), in its capacity as administrative agent for the Lenders hereunder, together with any successor thereto appointed pursuant to Article VII, the “Administrative Agent”.

“Administrative Agent’s Office” means the Administrative Agent’s address as set forth on Schedule II, or such other address as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an administrative questionnaire in the form supplied by the Administrative Agent.

“Advance” means an advance by a Lender pursuant to its Commitment to the Borrower as part of a Borrowing.

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“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

“Agent Parties” has the meaning set forth in Section 9.02(c).

“Agents” means, collectively, the Administrative Agent and the Arrangers.

“Agreed Currencies” means (i) Dollars and (ii) Euros.

“Agreement” has the meaning set forth in the introduction hereto.

“Agreement Currency” has the meaning set forth in Section 9.16.

“Agreement Value” means, with respect to any Hedge Agreement at any date of determination, the amount, if any, that would be payable to any counterparty thereunder in respect of the “agreement value” under such Hedge Agreement if such Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Anti-Social Conduct” means (i) a demand and conduct with force and arms; (ii) an unreasonable demand and conduct having no legal cause; (iii) threatening or committing violent behavior relating to its business transactions; (iv) an action to defame the reputation or interfere with the business of any Lender by spreading rumor, using fraudulent means or resorting to force; or (v) other actions similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Group” means (i) an organized crime group (as defined in the Law relating to Prevention of Unjustifiable Acts by Gang Members of Japan (Law No. 77 of 1991, as amended)); (ii) a member of an organized crime group; (iii) a person who used to be a member of an organized crime group but has only ceased to be a member of an organized crime group for a period of less than 5 years; (iv) quasi-member of an organized crime group; (v) a related or associated company of an organized crime group; (vi) a corporate racketeer or blackmailer advocating social cause or a special intelligence organized crime group; or (vii) a member of any other criminal force similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Relationship” means in relation a Person, (i) an Anti-Social Group controls its management; (ii) an Anti-Social Group is substantively involved in its management; (iii) it has entered into arrangements with an Anti-Social Group for the purpose of, or which have the effect of, unfairly benefiting itself or a third party or prejudicing a third party; (iv) it is involved in the provision of funds or other benefits to an Anti-Social Group; or (v) any of its directors or any other person who is substantively involved in its management has a socially objectionable relationship with an Anti-Social Group.

“Applicable Creditor” has the meaning set forth in Section 9.16.

“Applicable Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Applicable Lending Office” or similar concept in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office, branch, Subsidiary or affiliate of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

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“Applicable Margin” means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

	<u>Public Debt Rating S&P/Moody’s</u>	<u>Applicable Margin for Advances denominated in Dollars</u>	<u>Applicable Margin for Advances denominated in Euros</u>
Level 1:	A+/A1 or above	0.750%	0.750%
Level 2:	Less than Level 1 but at least A/A2	0.875%	0.875%
Level 3:	Less than Level 2 but at least A-/A3	1.00%	1.00%
Level 4:	Less than Level 3 but at least BBB+/Baa1	1.125%	1.125%
Level 5:	Less than Level 4 but at least BBB/Baa2	1.25%	1.25%
Level 6:	Less than Level 5	1.50%	1.50%

“Applicable Percentage” means, in the case of the commitment fee paid pursuant to Section 2.04(a), as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

	<u>Public Debt Rating S&P/Moody’s</u>	<u>Applicable Percentage</u>
Level 1:	A+/A1 or above	0.070%
Level 2:	Less than Level 1 but at least A/A2	0.080%
Level 3:	Less than Level 2 but at least A-/A3	0.090%
Level 4:	Less than Level 3 but at least BBB+/Baa1	0.100%
Level 5:	Less than Level 4 but at least BBB/Baa2	0.125%
Level 6:	Less than Level 5	0.175%

“Arrangers” means JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd and Mizuho Bank, Ltd.

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit B hereto (or such other form as is agreed upon by the Borrower and the Administrative Agent).

“Availability Period” means the period starting on the Closing Date and ending on the Commitment Termination Date.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowed Debt” means any Debt for money borrowed, including loans, hybrid securities, debt convertible into Equity Interests and any Debt represented by notes, bonds, debentures or other similar evidences of Debt for money borrowed.

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“Borrower” has the meaning set forth in the recitals of this Agreement.

“Borrower Materials” has the meaning specified in Section 5.01.

“Borrowing” means a borrowing consisting of simultaneous Advances of the same Type made by each of the Lenders to the Borrower pursuant to Section 2.01.

“Borrowing Minimum” means \$50,000,000 (or for any Borrowing in Euros, €50,000,000).

“Borrowing Multiple” means \$5,000,000 (or for any Borrowing in Euros, €5,000,000).

“Bridge Credit Agreement” has the meaning specified in the definition of “Bridge Facility”.

“Bridge Facility” means the commitments and any advances made under the 364-Day Bridge Credit Agreement, dated as of May 8, 2018 (the “Bridge Credit Agreement”), among Takeda Pharmaceutical Company Limited, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

“Bridge Facility Effective Date” means May 8, 2018.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, New York City, Tokyo or London and any day on which dealings in the applicable Agreed Currency are conducted by and between banks in the London interbank eurocurrency market (and, if the Borrowings which are the subject of a borrowing, drawing, payment, reimbursement or rate selection are denominated in Euro, the term “Business Day” shall also exclude any day on which the TARGET2 payment system is not open for the settlement of payments in Euro).

“CERCLIS” means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

“Certain Funds Default” means an Event of Default arising from any of the following (other than in respect of any Subsidiary of the Borrower, the Target or any Subsidiary of the Target, or a breach of a procurement obligation with respect to any Subsidiary of the Borrower, the Target or any Subsidiary of the Target):

- (i) Section 6.01(a) (in so far as it relates to payment of principal and/or interest or payment of fees pursuant to paragraphs 1(i) and (ii) of the Fee Letter only);
- (ii) Section 6.01(b) as it relates to a Certain Funds Representation;
- (iii) Section 6.01(c) as it relates to the failure to perform any of the following covenants: (A) Sections 5.01(d)(i) or (j) (other than paragraph (ix), (x) and (xii) thereof) or (B) Sections 5.02(a), (b) or (d);
- (iv) Section 6.01(e) in relation to the Borrower, but excluding, in relation to involuntary proceedings referenced therein, any Event of Default caused by a frivolous or vexatious action, proceeding or petition in respect of which no order or decree in respect of such involuntary proceeding shall have been entered; or
- (v) Section 6.01(i).

“Certain Funds Period” means the period commencing on the Effective Date and ending on the earlier of (i) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists or (ii) if the Borrower has served written notice to the Administrative Agent in accordance with the definition of Commitment Termination Date to extend the Commitment Termination Date to the date that is 60 days after the Closing Date so that up to \$2,100,000,000 Commitments remain outstanding until such date, the date that is 60 days after the Closing Date.

“Certain Funds Purposes” means:

- (i) where the Target Acquisition proceeds by way of a Scheme:
 - (a) payment (directly or indirectly) of the cash price payable by the Borrower to the holders of the Scheme Shares in consideration of the acquisition of such Scheme Shares pursuant to the Scheme;
 - (b) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (c) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (d) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect); or
- (ii) where the Target Acquisition proceeds by way of a Takeover Offer:
 - (a) payment (directly or indirectly) of all or part of the cash price payable by the Borrower to the holders of the Target Shares subject to the Takeover Offer in consideration of the acquisition of such Target Shares pursuant to the Takeover Offer;
 - (b) payment (directly or indirectly) of the cash consideration payable to the holders of Target Shares pursuant to the operation by Borrower of the procedures contained in Articles 117 and 121 of the Jersey Companies Law;
 - (c) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (d) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (e) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect).

“Certain Funds Representations” means each of the following: (1) Sections 4.01(a), (b)(i), (b)(ii) and (b)(iii); (2) Section 4.01(c) and (d); (3) Section 4.01(q); and (4) Section 4.01(t), (u)(ii) and (v) (but only to the extent they relate to the then current actual method of the Target Acquisition), in each case only insofar as it relates to the Borrower (excluding, for the avoidance of doubt, any Subsidiary of the Borrower, Target or any Subsidiary of Target).

“Charges” has the meaning specified in Section 9.19.

“City Code” means the City Code on Takeovers and Mergers applicable, inter alia, to takeovers of listed companies in the United Kingdom and to Jersey listed companies pursuant to the Companies (Takeovers and Mergers Panel) (Jersey) Law 2009.

“Clean-up Date” has the meaning set forth in Section 6.01.

“Closing Date” means the date on which each of the conditions set forth in Section 3.02 have been satisfied (or waived in accordance with Section 9.01).

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, as to any Lender, the commitment of such Lender to make an Advance pursuant to Section 2.01(a), as such commitment may be reduced from time to time pursuant to the terms hereof. The initial amount of each Lender’s Commitment is (a) the amount set forth in the column labeled “Commitment” opposite such Lender’s name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Commitments is \$7,500,000,000 as such amount may be reduced in accordance with Section 2.05 or 6.01.

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“Commitment Termination Date” means the earlier of (a) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists; provided that, if the Closing Date has occurred prior to the date described in this clause (a), up to \$2,100,000,000 of Commitments shall remain outstanding until the date that is 60 days after the Closing Date if so elected by the Borrower by written notice to the Administrative Agent prior to the Closing Date and (b) the date on which the Commitments are terminated in full in accordance with Section 2.05 or, subject to Section 3.04, Section 6.01.

“Consolidated” refers to the consolidation of accounts in accordance with IFRS.

“Consolidated EBITDA” means, for any fiscal period, the Consolidated net profit of the Consolidated Group for such period determined in accordance with IFRS plus the following, to the extent deducted in calculating such Consolidated net profit: (a) the provision for Federal, state, local and foreign taxes based on income, profits, revenue, business activities, capital or similar measures payable by the Consolidated Group in each case, as set forth on the financial statements of the Consolidated Group, (b) share of loss of investments accounted for using the equity method, (c) Consolidated Interest Expense and dividend expense, (d) any losses (including all fees and expenses or charges relating thereto) on the retirement of debt, (e) any extraordinary, unusual, nonrecurring or non-cash impairments, charges, expenses or losses (including impairments, charges, fees, expenses and losses incurred in connection with the Transactions or any issuance of Debt or equity, acquisitions, investments, restructuring activities, asset sales or divestitures permitted hereunder, purchase accounting effects, derivatives transactions and other finance expenses and other operating expenses), (f) non-cash stock option expenses, non-cash equity-based compensation and/or non-cash expenses related to stock-based compensation, (g) any foreign currency exchange losses, (h) losses (including all fees and expenses or charges relating thereto) on sales of assets outside of the ordinary course of business and losses from discontinued operations and (i) depreciation and amortization expense and minus, to the extent included in calculating such Consolidated net profit for such period, the sum of (i) share of profit of investments accounted for using the equity method, (ii) interest and dividend income, (iii) any gains (less all fees and expenses or charges relating thereto) on the retirement of debt, (iv) any extraordinary, unusual, nonrecurring or non-cash income (including other finance income), (v) gains (less all fees and expenses or charges relating thereto) on the sales of assets outside of the ordinary course of business and gains from discontinued operations (without duplication of any amounts added back in clause (a) of this definition) and (vi) any foreign currency exchange gains, all as determined on a Consolidated basis. Consolidated EBITDA will be calculated on a pro forma basis as if the Transactions and any related incurrence or repayment of Debt by any member of the Consolidated Group had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately succeeding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately succeeding sentence). In addition, in the event that any member of the Consolidated Group acquired or disposed of any Person, business unit or line of business or made any investment during the relevant period, Consolidated EBITDA will be determined giving pro forma effect to such acquisition, disposition or investment as if such acquisition, disposition or investment and any related incurrence or repayment of Debt had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of

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such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately preceding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately preceding sentence).

“Consolidated Group” means, prior to the consummation of the Target Acquisition, the Borrower and its Subsidiaries (excluding the Target and its Subsidiaries) and thereafter, the Borrower and its Subsidiaries (including the Target and its Subsidiaries).

“Consolidated Interest Expense” means, for any fiscal period, the total interest expense of the Consolidated Group on a Consolidated basis determined in accordance with IFRS, including the imputed interest component of capitalized lease obligations during such period, and all commissions, discounts and other fees and charges owed with respect to letters of credit, if any, and net costs under Hedge Agreements; provided that if any member of the Consolidated Group acquired or disposed of any Person or line of business during the relevant period (including for the avoidance of doubt the Transactions), Consolidated Interest Expense will be determined giving pro forma effect to any incurrence or repayment of Debt related to such acquisition or disposition as if such incurrence or repayment of Debt had occurred on the first day of the relevant period.

“Consolidated Net Assets” means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities, as set forth on the Consolidated balance sheet of the Consolidated Group most recently furnished to the Lenders pursuant to Section 5.01(i)(ii) prior to the time as of which Consolidated Net Assets shall be determined.

“Consolidated Net Debt” means, as of any date of determination, the aggregate amount of Borrowed Debt of the Consolidated Group determined on a Consolidated basis as of such date, minus all unrestricted cash and cash equivalents of the Consolidated Group.

“Consolidated Tangible Assets” means, as of any date of determination thereof, Consolidated Total Assets minus, without duplication, (x) the Intangible Assets of the Consolidated Group and (y) goodwill of the Consolidated Group, in each case on such date.

“Consolidated Total Assets” means, as of the date of any determination thereof, total assets of the Consolidated Group calculated in accordance with IFRS on a consolidated basis as of such date.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Conversion”, “Convert”, or “Converted” each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08 or 2.12.

“Cost of Funds Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(i).

“Cost of Funds Rate” means the weighted average of the rates notified to the Administrative Agent by each Lender as soon as practicable and in any event not later than 10:00 A.M. (Tokyo time) one Business Day prior to the first day of the Interest Period applicable to a Cost of Funds Advance (or, if earlier, 10:00 A.M. (Tokyo time) in the date falling one Business Day before the date on which interest is due to be

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paid in respect of such Advance), to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its Advance from whatever source it may reasonably select; provided that if any Lender does not supply a quotation by the time specified in this definition, the Cost of Funds Rate shall be calculated on the basis of the quotations of the other Lenders that have so supplied a quotation.

“Court” means the Royal Court of Jersey.

“Court Meeting” means the meeting or meetings of Scheme Shareholders (or any adjournment thereof) to be convened by order of the Court under Article 125(1) of the Jersey Companies Law for the purposes of considering and, if thought fit, approving the Scheme.

“Court Order” means the Act of Court sanctioning the Scheme under Article 125(2) of the Jersey Companies Law.

“Credit Party” means the Administrative Agent or any Lender.

“Debt” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services that would appear as a liability on the balance sheet of such Person prepared in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with IFRS, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below directly guaranteed in any manner by such Person, or the payment of which is otherwise provided for by such Person, and (i) all Debt referred to in clauses (a) through (h) above secured by any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; provided, however, that the amount of such Debt will be the lesser of (x) the fair market value of such asset at such date of determination and (y) the amount of such other Debt.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement specified in Article VI that notice be given or time elapse or both.

“Default Interest” has the meaning specified in Section 2.07(b).

“Defaulting Lender” means, subject to Section 2.19(b), any Lender that (a) has failed to (i) fund all or any portion of its Advances within two Business Days of the date such Advances were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund an Advance hereunder and states that such position is based on

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such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.19(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

"Disclosure Letter" means that certain Disclosure Letter dated as of the Effective Date from the Borrower to the Arrangers.

"Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount in any currency other than Dollars, the equivalent in Dollars of such amount, calculated on the basis of the Exchange Rate pursuant to Section 1.06 using the Exchange Rate with respect to such currency at the time in effect pursuant to the provisions of such Section 1.06.

"Dollars" and the "\$" sign each means lawful currency of the United States.

"EEA Financial Institution" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date on which the conditions set forth in Section 3.01 are satisfied (or waived in accordance with Section 9.01).

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (d) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as

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such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); and (e) any other Person approved by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, by the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that no Defaulting Lender (or Person who would be a Defaulting Lender upon becoming a Lender) nor the Borrower nor any Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“Environmental Law” means any applicable federal, state, local or foreign statute; law (including common law); ordinance; rule; regulation; code; final and binding court order, judgment, decree or judicial or agency interpretation, policy or guidance; or agency order relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations promulgated thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code.

“ERISA Event” means:

(a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Single Employer Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are being met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Single Employer Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days unless the 30-day notice requirement has been waived by the PBGC;

(b) the application for a minimum funding waiver with respect to a Single Employer Plan;

(c) the termination of or provision of a notice of intent to terminate any Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA) or otherwise so as to incur liability of the Borrower or any ERISA Affiliate under Title IV of ERISA (other than premiums due to the PBGC);

(d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA;

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(e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA;

(f) the conditions for the imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or

(g) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of a Plan, or the appointment of a trustee to administer a Single Employer Plan or Multiple Employer Plan.

“Escrow Account” means any account established for the purpose of depositing funds prior to their being applied towards Certain Funds Purposes.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Euro” and/or “EUR” means the single currency of the Participating Member States.

“Eurocurrency Liabilities” has the meaning specified in Regulation D of the Board, as in effect from time to time.

“Eurocurrency Rate” means the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for the applicable Agreed Currency for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters Screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case, the “Screen Rate”) at approximately 11:00 A.M., London time on the Quotation Day for such Agreed Currency and Interest Period; provided that if the Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that, if the Screen Rate shall not be available at such time for such Interest Period (an “Impacted Interest Period”) with respect to the applicable currency, then the Eurocurrency Rate shall be the Interpolated Rate at such time; provided that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. “Interpolated Rate” means, at any time, the rate per annum determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the Screen Rate for the longest period (for which that Screen Rate is available in the applicable currency) that is shorter than the Impacted Interest Period and (b) the Screen Rate for the shortest period (for which that Screen Rate is available for the applicable currency) that exceeds the Impacted Interest Period, in each case, at such time; provided further that if no Screen Rate is available for the applicable currency, the Eurocurrency Rate shall be the Reference Bank Rate.

“Eurocurrency Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(ii).

“Eurocurrency Rate Reserve Percentage” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Conduct Authority, the Prudential Regulation Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall include those imposed pursuant to Eurocurrency Liabilities. Eurocurrency Rate Advances shall be deemed to be subject to such reserve, liquid asset, fee or similar

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requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Eurocurrency Liabilities. The Eurocurrency Rate Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“Euro Equivalent” means, at any time, (a) with respect to any amount denominated in Euros, such amount, and (b) with respect to any amount in any currency other than Euros, the equivalent in Euros of such amount, calculated on the basis of the Exchange Rate pursuant to Section 1.06 using the Exchange Rate with respect to such currency at the time in effect pursuant to the provisions of such Section 1.06.

“Euro Sublimit” means the Euro Equivalent of \$3,500,000,000.

“Events of Default” has the meaning specified in Section 6.01.

“Exchange Rate” means on any day, for purposes of determining the Dollar Equivalent or Euro Equivalent of any other currency, the rate at which such other currency may be exchanged into Dollars or Euros, as applicable, at the time of determination on such day as quoted by Bloomberg on www.bloomberg.com/markets/currencies/fxc.html (and applying the Currency Converter set forth on such webpage), or as displayed on such other information service which publishes that rate of exchange from time to time in place of Bloomberg. In the event that such rate is not displayed by Bloomberg on the webpage specified in the immediately preceding sentence, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as the Administrative Agent shall elect after determining that such rates shall be the basis for determining the Exchange Rate, on such date for the purchase of Euros or Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method, in consultation with the Borrower, it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Excluded Taxes” has the meaning specified in Section 2.14(a).

“Existing Target Indebtedness” means indebtedness of the Target existing on the Closing Date.

“FATCA” means (a) Sections 1471 to 1474 of the Code or any associated regulations, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the United States government or any governmental or taxation authority in any other jurisdiction.

“Fee Letter” means that certain Senior Unsecured Permanent Term Loan Facility Fee Letter, dated as of May 8, 2018, by and among the Borrower and JPMorgan Chase Bank, N.A.

“FIEA” means the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).

“Foreign Exchange Act” means the Foreign Exchange and Foreign Trade Act of Japan (Law No. 59 of 2009, as amended).

“GAAP” means generally accepted accounting principles as in effect in the United States from time to time.

“General Meeting” means the extraordinary general meeting of the holders of Target Shares (or any adjournment thereof) to be convened in connection with the implementation of a Scheme.

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“Governmental Authority” means the government of Japan, the United States of America, or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Hazardous Materials” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as “hazardous” or “toxic” or as a “pollutant” or “contaminant” or for which liability may be imposed, under any Environmental Law.

“Hedge Agreements” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“IFRS” means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the Effective Date.

“Impacted Interest Period” has the meaning provided in the definition of “Eurocurrency Rate”.

“Indemnified Party” has the meaning specified in Section 9.04(b).

“Information” has the meaning specified in Section 9.08.

“Initial Lender” has the meaning specified in the definition of “Lenders”.

“Intangible Assets” means the aggregate amount, for the Consolidated Group on a consolidated basis, of all assets classified as intangible assets under IFRS, including, without limitation, customer lists, acquired technology, computer software, trademarks, patents, copyrights, organization expenses, franchises, licenses, trade names, brand names, mailing lists, catalogs, unamortized debt discount and capitalized research and development costs.

“Interest Period” means, for each Advance comprising part of the same Borrowing, the period commencing on the date of such Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, with respect to any Borrowing made less than one month prior to the Maturity Date, the period commencing on the date of such Borrowing and ending on the Maturity Date (subject to availability)), as the Borrower may, upon written notice received by the Administrative Agent not later than 9:00 A.M. (Tokyo time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(h) the Borrower may not select any Interest Period that ends after the Maturity Date;

(i) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Borrowing shall be of the same duration (it being understood that the Borrower shall be permitted to make multiple Borrowings consisting of Eurocurrency Rate Advances on the same date, each of which may be of different durations);

(j) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next succeeding calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and

(k) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Interpolated Rate” has the meaning specified in the definition of “Eurocurrency Rate”.

“Jersey Companies Law” means the Companies (Jersey) Law 1991.

“Judgment Currency” has the meaning set forth in Section 9.16.

“Lenders” means, collectively, (a) each bank, financial institution and other institutional lender listed on the signature pages hereof (each, an “Initial Lender”) and (b) each Eligible Assignee that shall become a party hereto pursuant to Section 9.07(a), (b) and (c). Each Lender shall have a license required to engage in the business of lending money in Japan.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, intended as a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“Loan Documents” means this Agreement and any amendments, notes or notices entered into in connection herewith.

“Long Stop Date” means the date falling 12 months after the Bridge Facility Effective Date; provided that such date may be extended if and to the extent that (i) any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Offer Press Announcement) has not been satisfied by the date falling 12 months after the Bridge Facility Effective Date; (ii) the Long Stop Date (as defined in the Original Scheme Press Release) has also been extended (with the Target having consented, to the extent required, to any such extension) and (iii) such date shall not be extended beyond the date falling 15 months after the Bridge Facility Effective Date.

“Losses” has the meaning specified in Section 9.04(b).

“Mandatory Cancellation Event” means the occurrence of any of the following conditions or events:

- (i) where the Target Acquisition proceeds by way of a Scheme:
 - (a) the Court Meeting is held (and not adjourned or otherwise postponed) to approve the Scheme at which a vote is held to approve the Scheme, but the Scheme is not so approved in accordance with Article 125(2) of the Jersey Companies Law by the requisite majority of the Scheme Shareholders at such Court Meeting;
 - (b) the General Meeting is held (and not adjourned or otherwise postponed) to pass the Scheme Resolutions at which a vote is held on the Scheme Resolutions, but the Scheme Resolutions are not passed by the requisite majority of the shareholders of Target at such General Meeting;
 - (c) an application for the issuance of the Court Order is made to the Court (and not adjourned or otherwise postponed) but the Court (in its final judgment) refuses to grant the Court Order;
 - (d) either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court; or
 - (e) the date which is 15 days after the Scheme Effective Date;unless, in respect of paragraphs (a) to (d) inclusive above, for the purpose of switching from a Scheme to a Takeover Offer, within 5 Business Days of such event the Borrower has notified the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, an Offer Press Announcement and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred);
- (ii) where the Target Acquisition proceeds by way of a Takeover Offer:
 - (a) such Takeover Offer lapses, terminates or is withdrawn unless, for the purpose of switching from a Takeover Offer to a Scheme, within 5 Business Days of such event the Borrower has notified

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the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, a Scheme Press Release and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred); or

(b) the date which is six weeks after the date (or to the extent necessary to address a minority shareholder's application to Court in protest thereof and written notice is provided to the Administrative Agent on or prior to the end of such initial six week period, twelve weeks after the date) that the Borrower serves notice under Article 117 of the Jersey Companies Law to buy out minority shareholders;

(iii) the date upon which all payments made or to be made for Certain Funds Purposes have been paid in full in cleared funds; or

(iv) the date which is 15 days after the Long Stop Date.

“Margin Stock” has the meaning provided in Regulation U.

“Maximum Rate” has the meaning specified in Section 9.19.

“Material Adverse Effect” means a material adverse effect on (a) the financial condition or results of operations of the Borrower or the Consolidated Group taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under this Agreement, taken as a whole, or (c) the ability of the Borrower to perform its or their payment obligations under this Agreement.

“Maturity Date” means the date that is five years following the Closing Date.

“Moody's” means Moody's Investors Service, Inc. (or any successor thereof).

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

“Multiple Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Non-Consenting Lender” has the meaning specified in Section 9.01(c).

“Non-Defaulting Lender” means, at any time, a Lender that is not a Defaulting Lender.

“Notice” has the meaning specified in Section 9.02(d).

“Notice of Borrowing” has the meaning specified in Section 2.02(a).

“NPL” means the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

“OFAC” means the U.S. Treasury Department's Office of Foreign Assets Control.

“Offer Documents” means the Takeover Offer Document and the Offer Press Announcement.

“Offer Press Announcement” means a press announcement released by or on behalf of the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Takeover Offer and setting out the terms and conditions of the Takeover Offer.

“Original Scheme Press Release” means the Scheme Press Release released by the Borrower on May 8, 2018.

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“Other Connection Taxes” means, with respect to the Administrative Agent or any Lender, Taxes imposed as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction imposing such Tax (other than connections arising from the Administrative Agent or such Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document).

“Other Taxes” has the meaning specified in Section 2.14(b).

“Panel” means the Panel on Takeovers and Mergers.

“Participant Register” has the meaning specified in Section 9.07(e).

“Participating Member State” means any member state of the European Union that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor thereto).

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

“Platform” has the meaning specified in Section 5.01(i).

“Pro Forma Financials” has the meaning provided in Section 3.02(g).

“Projections” means any projections and any forward looking statements (including statements with respect to booked business) of the Consolidated Group furnished to the Lenders or the Administrative Agent by or on behalf of the Borrower prior to the Closing Date.

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“Public Debt Rating” means, as of any date and subject to the provisions of the next succeeding sentence, the lowest rating that has been most recently announced by each of S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing: (a) if only one of S&P and Moody’s shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin shall be determined by reference to the available rating; (b) if neither S&P nor Moody’s shall have in effect a Public Debt Rating, the Applicable Percentage and the Applicable Margin shall be set in accordance with Level 6 under the definition of Applicable Percentage or Applicable Margin, as the case may be; (c) if the ratings established by S&P and Moody’s shall fall within different levels, the Applicable Percentage and the Applicable Margin shall be based upon the higher of such ratings, except that, in the event that the lower of such ratings is more than one level below the higher of such ratings, the Applicable Percentage and the Applicable Margin shall be based upon the level immediately above the lower of such ratings; (d) if any rating established by S&P or Moody’s shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody’s shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody’s, as the case may be, shall refer to the then equivalent rating by S&P or Moody’s, as the case may be.

“Public Lender” has the meaning set forth in Section 5.01.

“Quotation Day” means with respect to the applicable currency for any Interest Period, (i) if the currency is Euro, the day that is two (2) TARGET2 Days before the first day of such Interest Period and (iii) for any other currency, two Business Days prior to the first day of such Interest Period, unless market practice differs in the London interbank market for the applicable currency, in which case the Quotation Day shall be determined by the Administrative Agent in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day shall be the last of those days).

“Reference Bank Rate” means the arithmetic mean of the rates (rounded upwards to four decimal places) supplied to the Administrative Agent at its request by the Reference Banks (as the case may be) as of the applicable time on the Quotation Day for Advances in the applicable currency and the applicable Interest Period as the rate at which the relevant Reference Bank could borrow funds in the London (or other applicable) interbank market in the relevant currency and for the relevant period, were it to do so by asking for and then accepting interbank offers in reasonable market size in that currency and for that period.

“Reference Banks” means such banks as may be appointed by the Administrative Agent (and agreed by such bank) in consultation with the Borrower.

“Register” has the meaning specified in Section 9.07(d).

“Registrar” means the Registrar of Companies for Jersey.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“Repayment Date” means each of (i) the date falling 15 months after the Closing Date and (ii) the last day of each three-month period thereafter.

“Required Lenders” means, at any time, Lenders holding more than 50% of the unused Commitments and aggregate outstanding principal amount of Advances at such time; provided that the Commitment of, and the Advances held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Resignation Effective Date” has the meaning provided in Section 7.06(a).

“Responsible Officer” means, with respect to the Borrower, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Head of Corporate Law, Japan Legal and the General Counsel of the Borrower (or other executive officer of the Borrower performing similar functions) or any other officer of the Borrower responsible for overseeing or reviewing compliance with this Agreement.

“Restricted Margin Stock” means Margin Stock owned by the Consolidated Group the value of which (determined as required under clause 2(i) of the definition of “Indirectly Secured” set forth in Regulation U) represents not more than 25% of the aggregate value (determined as required under clause (2)(i) of the definition of “Indirectly Secured” set forth in Regulation U), on a consolidated basis, of the property and assets of the Consolidated Group (excluding any Margin Stock) that is subject to the provisions of Section 5.02(a) or (b).

“S&P” means Standard & Poor’s Financial Services LLC (or any successor thereof).

“Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of comprehensive Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the Ministry of Finance of Japan,

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the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom, any relevant and applicable European Union member state or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b) or (d) any Person otherwise the subject of any Sanctions.

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, (b) the Japanese government, including those imposed under the Foreign Exchange Act and the Import Trade Control Order of Japan (Cabinet Order No. 414 of 1949, as amended) or (c) the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or any relevant and applicable European Union member state or other relevant sanctions authority.

"Scheme" means a scheme of arrangement to be effected under Article 125 of the Jersey Companies Law between Target and the Scheme Shareholders pursuant to which the Borrower will become the holder of all of the Scheme Shares in accordance with the Scheme Documents, subject to such changes and amendments to the extent not prohibited by the Loan Documents.

"Scheme Circular" means the document issued by or on behalf of Target to the Scheme Shareholders setting out the terms and conditions of and an explanatory statement in relation to the Scheme, stating the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of Target and setting out the notices of the Court Meeting and the General Meeting as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

"Scheme Documents" means, collectively (a) the Scheme Press Release, (b) the Scheme Circular, (c) the Scheme Resolutions and (d) any other document issued by or on behalf of Target to its shareholders in respect of the Scheme and any other document designated as a "Scheme Document" by the Administrative Agent and the Borrower.

"Scheme Effective Date" means the date on which the Court Order sanctioning the Scheme is duly delivered on behalf of Target to the Registrar in accordance with Article 125(3) of the Jersey Companies Law.

"Scheme Press Release" means a press announcement released by the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Scheme and setting out the terms and conditions of the Scheme.

"Scheme Resolutions" means the resolutions of the shareholders of Target which are required to implement the Scheme and which are referred to and substantially in the form set out in the Scheme Circular and which are to be proposed at the General Meeting.

"Scheme Shareholders" means the registered holders of Scheme Shares at the relevant time.

"Scheme Shares" means the Target Shares which are subject to the Scheme in accordance with its terms.

"Screen Rate" has the meaning set forth in the definition of "Eurocurrency Rate".

"Service of Process Agent" means CT Corporation Systems, 111 Eighth Avenue, 13th Floor, New York, New York 10011.

"Significant Subsidiary" means any Subsidiary of the Borrower that constitutes a "significant subsidiary" under Regulation S-X promulgated by the Securities and Exchange Commission, as in effect from time to time.

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“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Subsidiary” means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Takeover Offer” means a “takeover offer” within the meaning of Article 116(1) of the Jersey Companies Law proposed to be made by the Borrower to acquire (directly or indirectly) Target Shares, substantially on the terms and conditions set out in an Offer Press Announcement (as such offer may be amended in any way which is not prohibited by the terms of the Loan Documents).

“Takeover Offer Document” means the document issued by or on behalf of the Borrower and dispatched to shareholders of Target in respect of a Takeover Offer containing the terms and conditions of the Takeover Offer reflecting the Offer Press Announcement in all material respects as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Target” means Shire plc.

“Target Acquisition” means the direct or indirect acquisition, pursuant to the Offer Documents or Scheme Documents, as applicable, of the Target Shares, which acquisition will be effected pursuant to a Scheme or Takeover Offer.

“Target Shares” means all of the issued and to be issued ordinary shares in the capital of the Target (including any issued pursuant to the exercise of any options or awards or other instruments convertible into or exchangeable for shares of the Target).

“TARGET2” means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) payment system (or, if such payment system ceases to be operative, such other payment system (if any) reasonably determined by the Administrative Agent to be a suitable replacement) for the settlement of payments in Euro.

“TARGET2 Day” means a day that TARGET2 is open for the settlement of payments in Euro.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including back-up withholdings), assessments, fees or other like charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Transactions” means the Target Acquisition, the entry into this Agreement and the transactions contemplated hereby, the borrowings by the Borrower under the Commitments, and in each case, related fees costs and expenses.

“Type” refers to a Cost of Funds Rate Advance or a Eurocurrency Rate Advance.

“United States” and “U.S.” each means the United States of America.

“Unrestricted Margin Stock” means any Margin Stock owned by the Consolidated Group which is not Restricted Margin Stock.

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“Voting Stock” means shares of capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“Withdrawal Liability” has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”, the word “through” means “through and including” and each of the words “to” and “until” mean “to but excluding”.

SECTION 1.03 Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not specifically defined herein shall be construed in accordance with, and all financial data (including financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS, as in effect from time to time. If at any time any change in IFRS would affect the calculation of any covenant set forth herein and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such covenant to preserve the original intent thereof in light of such change in IFRS (subject to the approval of the Required Lenders); provided that, until so amended, (i) such covenant shall continue to be calculated in accordance with IFRS prior to such change and (ii) the Borrower shall provide to the Administrative Agent and the Lenders, concurrently with the delivery of any financial statements or reports with respect to such covenant, statements setting forth a reconciliation between calculations of such covenant made before and after giving effect to such change in IFRS. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to (i) any election under applicable accounting standards to value any Debt or other liabilities of the Borrower or any Subsidiary at “fair value” or similar term and (ii) any treatment of Debt in respect of convertible debt instruments under applicable accounting standards to value any such Debt in a reduced or bifurcated manner, and such Debt shall at all times be valued at the full stated principal amount thereof.

SECTION 1.04 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein and (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereto.

SECTION 1.05 Jersey Terms. In each Loan Document, where it relates to a person incorporated or formed or having its centre of main interests in Jersey, a reference to:

- (a) a winding up, administration or dissolution includes, without limitation, bankruptcy (as that term is interpreted pursuant to Article 8 of the Interpretation (Jersey) Law 1954), any procedure or process referred to in Part 21 of the Jersey Companies Law, and any other similar proceedings affecting the rights of creditors generally under Jersey law, and shall be construed so as to include any equivalent or analogous proceedings; or
- (b) a receiver, administrative receiver, administrator or the like includes, without limitation, the Viscount of the Royal Court of Jersey, *autorisés* or any other person performing the same function of each of the foregoing.

SECTION 1.06 Currency Translations.

(a) The Administrative Agent shall determine the Dollar Equivalent of each Advance denominated in Euros as of the date of the making of any Advance using the Exchange Rate for such currency in relation to Dollars in effect at 11:00 A.M. (Tokyo time) on the date that is three Business Days prior to such calculation date and such amount shall be used in calculating any applicable fees payable hereunder, the amount the applicable Commitments are reduced upon such Advance and other amounts to which the Dollar Equivalent applies pursuant to the terms hereof.

(b) For purposes of (i) determining the amount of Borrowed Debt incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(e), (ii) determining the amount of obligations secured by Liens incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(a) or (iii) determining the amount of Debt, the net assets of a Person or judgments outstanding under Section 6.01(d), (e) or (f), all amounts incurred, outstanding or proposed to be incurred or outstanding in currencies other than Dollars shall be translated into Dollars at the Exchange Rate on the applicable date; provided that no Default shall arise as a result of any limitation set forth in Dollars in Section 5.02(a) or (e) being exceeded solely as a result of changes in Exchange Rates from those rates applicable at the time or times Debt or obligations secured by Liens were initially consummated or acquired in reliance on the exceptions under such Sections.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Advances. Each Lender severally and not jointly agrees, on the terms and conditions hereinafter set forth to make Advances denominated in Dollars and/or Euros to the Borrower from time to time on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Commitment immediately prior to the making of the Advance; provided that no Lender shall be obligated to make Advances denominated in Euros if, after giving effect to such proposed Advance, the aggregate amount of Advances denominated in Euros made hereunder would exceed the Euro Sublimit. Each Borrowing shall be in an aggregate amount equal to the Borrowing Minimum or a Borrowing Multiple in excess thereof and shall initially consist of Eurocurrency Rate Advances made on the same day by the Lenders ratably according to their respective relevant Commitments. Upon the making of any Advance by a Lender such Lender's relevant Commitment will be permanently reduced by the Dollar Equivalent of the aggregate principal amount of such Advance. The Borrower may prepay Advances pursuant to Section 2.10, provided that Advances may not be reborrowed once repaid.

SECTION 2.02 Making the Advances. (a) Each Borrowing shall be made on notice by the Borrower, given not later than 9:00 A.M. (Tokyo time) on the third Business Day prior to the date of the proposed

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Borrowing, to the Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier or other electronic communication. Each notice of a Borrowing (a “Notice of Borrowing”) shall be by telephone, confirmed immediately in writing, including by telecopier (or other electronic communication) in substantially the form of Exhibit A hereto, specifying therein the requested (i) date of such Borrowing (which shall be a Business Day), (ii) whether such Borrowing is to be denominated in Dollars or Euros (provided that if the Borrower fails to specify a currency in any Notice of Borrowing, then the Advances so requested shall be made in Dollars, it being understood that Dollars shall be the base currency for this Agreement), (iii) aggregate amount of such Borrowing, (iv) initial Interest Period for such Advance, if such Borrowing is to consist of Eurocurrency Rate Advances, and (v) account or accounts in which the proceeds of the Borrowing should be credited. Each Lender shall, before 11:00 A.M. (Tokyo time) on the date of such Borrowing make available for the account of its Applicable Lending Office to the Administrative Agent at the applicable Administrative Agent’s Office, in same day funds, such Lender’s ratable portion of such Borrowing. After the Administrative Agent’s receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower in immediately available funds to the account or accounts specified by the Borrower to the Administrative Agent in the Notice of Borrowing relating to the applicable Borrowing. Notwithstanding anything to the contrary herein, there shall not be more than ten separate Borrowings of Advances.

(b) Anything in Section 2.02(a) to the contrary notwithstanding, (i) the Borrower may not select Eurocurrency Rate Advances if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than ten separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower shall indemnify each Lender against any reasonable loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender’s ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that any Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to pay or to repay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is paid or repaid to the Administrative Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Advances comprising such Borrowing and (B) the cost of funds incurred by the Administrative Agent in respect of such amount and (ii) in the case of such Lender, the greater of the Cost of Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall pay to the Administrative Agent such corresponding principal amount, such amount so paid shall constitute such Lender’s Advance as part of such Borrowing for all purposes of this

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Agreement. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

(f) If any Lender makes available to the Administrative Agent funds for any Advance to be made by such Lender as provided herein, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to such Borrowing are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) Each Lender at its option may make any Advance by causing any domestic or foreign branch or Affiliate of such Lender to make such Advance (and in the case of an Affiliate, the provisions of Sections 2.08, 2.11 and 2.14 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Advance in accordance with the terms of this Agreement.

SECTION 2.03 [Reserved].

SECTION 2.04 Fees. (a) Commitment Fee. As part of the consideration for each Lender's Commitment hereunder, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender (other than a Defaulting Lender for such time as such Lender is a Defaulting Lender), a non-refundable commitment fee from (and excluding) the Effective Date and from time to time through and including the date of termination of the Commitments in full, at a rate per annum (x) equal to 0.10% until the receipt of a Public Debt Rating (after giving effect to the Target Acquisition) and (y) thereafter, equal to the Applicable Percentage per annum, on the aggregate daily amount of such Lender's Commitments during such period, such fee to be earned and payable in arrears quarterly on the last Business Day of each March, June, September and December, and on the date the Commitment terminates in full or is otherwise reduced to zero.

(b) [Reserved].

(c) Additional Fees. The Borrower shall pay to the Administrative Agent and Arrangers for their account (or that of their applicable Affiliate) such fees as may from time to time be agreed between any of the Consolidated Group and the Administrative Agent and/or Arrangers.

(d) Calculation of Commitment. For the avoidance of doubt, with respect to the definition of "Mandatory Cancellation Event" and the ability thereunder for the Borrower to provide notices and issue documents to facilitate a switch from a Scheme to a Takeover Offer and vice versa, the Commitment shall be deemed to be in effect until the end of the day on which the applicable notice or issuance is required to but does not occur for the purposes of calculating any fees under this Agreement or any fee letters related hereto.

SECTION 2.05 Termination or Reduction of the Commitments. (a) Unless previously terminated, the Commitments shall terminate in full at 5:00 p.m. (Tokyo time) on the earlier of (i) the date on which all of the Certain Funds Purposes have been achieved without the making of any Advances and (ii) the date on which the Certain Funds Period terminates. Additionally, each Lender's Commitment will be permanently reduced upon such Lender making any Advance under such Commitment by an amount equal to the Dollar Equivalent of such Advance. Any termination or reduction of the Commitments shall be permanent.

(b) Ratable Reduction or Termination. The Borrower shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or permanently reduce ratably in part the unused portions of Commitments of the Lenders; provided that each partial reduction shall be in an aggregate amount of not less than \$50,000,000 and an integral multiple of \$5,000,000 in excess thereof; provided further that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied.

SECTION 2.06 Repayment of Advances.

(a) The Borrower shall repay the Advances in installments, together with accrued interest to the date of such repayment on the principal amount repaid, on each Repayment Date, which installments shall each be in an amount equal to (x) for the first eight of such payments, 1.25% of the aggregate principal amount of the Advances actually funded on or prior to the last day of the Availability Period and (y) for each other payment, 2.50% of the aggregate principal amount of the Advances actually funded on or prior to the last day of the Availability Period.

(b) The Borrower shall repay on the Maturity Date to the Administrative Agent for the ratable account of the Lenders, the aggregate principal amount of all Advances made to the Borrower outstanding on such date.

SECTION 2.07 Interest on Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance made to it from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Cost of Funds Rate Advances. During such periods as such Advance is a Cost of Funds Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Cost of Funds Rate for such Interest Period for such Advance and (B) the Applicable Margin for the currency in which such Advance is denominated, payable in arrears on (x) the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period, (y) if applicable, each Repayment Date and (z) on the date such Cost of Funds Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clauses (y) or (z) above, accrued but unpaid interest shall only be payable in respect of the principal amount of Advances prepaid or Converted on such date.

(ii) Eurocurrency Rate Advances. During such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurocurrency Rate for such Interest Period for such Advance, and (B) the Applicable Margin for the currency in which such Advance is denominated, payable in arrears on (x) the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period, (y) if applicable, each Repayment Date and (z) on the date such Eurocurrency Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clauses (y) or (z) above, accrued but unpaid interest shall only be payable in respect of the principal amount of Advances prepaid or Converted on such date.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default pursuant to Section 6.01(a), the Administrative Agent shall, upon the request of the Required Lenders, require the Borrower to pay interest ("Default Interest"), which amount shall accrue as of the date of occurrence of the Event of Default, on (i) amounts that are overdue, payable in arrears on the dates referred to in Section 2.07(a)(i) or 2.07(a)(ii), at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid

on such overdue amount pursuant to Section 2.07(a)(i) or 2.07(a)(ii) and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Advances pursuant to Section 2.07(a)(ii) (or, if all Advances have been Converted to Cost of Funds Rate Advances pursuant to Section 2.07(a)(i)), provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Administrative Agent.

(c) Additional Interest on Eurocurrency Rate Advances. The Borrower shall pay to each Lender, so long as and to the extent such Lender shall be subject to, under applicable law, rules or regulations to reserves, liquid asset, fees or similar requirements (as further described in the definition of Eurocurrency Rate Reserve Percentage) with respect to deposits or liabilities (as so described), additional interest on the unpaid principal amount of each Advance of such Lender made to the Borrower that is a Eurocurrency Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (a) the Eurocurrency Rate for the applicable Interest Period for such Advance from (b) the rate obtained by dividing such Eurocurrency Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such Lender shall as soon as practicable provide notice to the Administrative Agent and the Borrower of any such additional interest arising in connection with such Advance, which notice shall be conclusive and binding, absent demonstrable error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means (including, without limitation, by means of an Interpolated Rate) do not exist for ascertaining the Eurocurrency Rate for such Interest Period or (ii) the Required Lenders notify the Administrative Agent that (x) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Advances as a part of such Borrowing during its Interest Period or (y) the Eurocurrency Rate for any Interest Period for such Advances will not adequately and fairly reflect the cost to the Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) (x) the Borrower will, on the last day of the then existing Interest Period therefor prepay such Advances or (y) any such Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration and (B) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(i) have not arisen but either (w) the supervisor for the administrator of the Screen Rate has made a public statement that the administrator of the Screen Rate is insolvent (and there is no successor administrator that will continue publication of the Screen Rate), (x) the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Rate), (y) the supervisor for the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently

or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 2.08(c), only to the extent the Screen Rate for the applicable currency and such Interest Period is not available or published at such time on a current basis), (x) any request from the Borrower to continue any Advance as a Eurocurrency Rate Advance shall be ineffective and any such Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration and (y) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances made to the Borrower in accordance with the provisions contained in the definition of “Interest Period” in Section 1.01, the Administrative Agent will forthwith so notify the Borrower and the Lenders and such Eurocurrency Rate Advances will automatically, on the last day of the then existing Interest Period therefor, be continued as a Eurocurrency Advance with an Interest Period of one month.

SECTION 2.09 [Intentionally Omitted].

SECTION 2.10 Optional Prepayments of Advances. The Borrower may, upon written notice to the Administrative Agent stating the proposed date and aggregate principal amount of the proposed prepayment, given not later than 10:00 A.M. (Tokyo time) one Business Day prior to the date (which date shall be a Business Day) of such proposed prepayment, in the case of a Borrowing consisting of Cost of Funds Rate Advances, and not later than 10:00 A.M. (Tokyo time) at least two Business Days prior to the date of such proposed prepayment, in the case of a Borrowing consisting of Eurocurrency Rate Advances, and if such notice is given, the Borrower shall, prepay the outstanding principal amount of the Advances comprising part of the same Borrowing made to the Borrower in whole or ratably in part, and together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount of the Borrowing Minimum or a Borrowing Multiple in excess thereof and (ii) if any prepayment of a Eurocurrency Rate Advance is made on a date other than the last day of an Interest Period for such Eurocurrency Rate Advance, the Borrower shall also pay any amount owing pursuant to Section 9.04(c); and provided, further, that, subject to clause (ii) of the immediately preceding proviso, any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied. Notwithstanding anything in this Agreement to the contrary, the Borrower shall not optionally prepay any Advances while any Tranche 4 Advances (as defined under the Bridge Credit Agreement as in effect on the Effective Date) under the Bridge Facility are outstanding.

SECTION 2.11 Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any directive, guideline or request from any

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central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), in each case after the date hereof (or with respect to any Lender (or the Administrative Agent), if later, the date on which such Lender (or the Administrative Agent) becomes a Lender (or the Administrative Agent)), there shall be any increase in the cost to any Lender or the Administrative Agent of agreeing to make or making, funding or maintaining Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes as to which such Lender is indemnified under Section 2.14, (ii) Excluded Taxes, or (iii) Other Taxes), then the Borrower shall from time to time, upon demand by such Lender or the Administrative Agent (with a copy of such demand to the Administrative Agent, if applicable), pay to the Administrative Agent for the account of such Lender (or for its own account, if applicable) additional amounts sufficient to compensate such Lender or the Administrative Agent for such increased cost as reasonably determined by such Lender or the Administrative Agent (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender or the Administrative Agent under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender or the Administrative Agent then reasonably determines to be relevant). A certificate describing such increased costs in reasonable detail delivered to the Borrower shall be conclusive and binding for all purposes, absent demonstrable error.

(b) If any Lender reasonably determines that compliance with any law or regulation or any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), in each case promulgated or given after the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), affects or would affect the amount of capital, insurance or liquidity required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital, insurance or liquidity is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, the Borrower shall, from time to time upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances as reasonably determined by such Lender (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender then reasonably determines to be relevant), to the extent that such Lender reasonably determines such increase in capital, insurance or liquidity to be allocable to the existence of such Lender's Advances or commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent demonstrable error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Borrower of the change or circumstance giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change or circumstance giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof. Any Lender making a claim for compensation under this Section 2.11 may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 9.07.

(d) Notwithstanding anything in this Section 2.11 to the contrary, for purposes of this Section 2.11, (A) the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder or in connection therewith or in implementation thereof, and (B) all requests, rules, guidelines and directions promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any

similar or successor agency, or the United States or foreign regulatory authorities, in each case, pursuant to Basel III) shall be deemed to have been enacted following the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender); provided that no Lender shall demand compensation pursuant to this Section 2.11(c) unless such Lender is making corresponding demands on similarly situated borrowers in comparable credit facilities to which such Lender is a party.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, with respect to Dollar denominated Advances, (a) if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority, including without limitation, any agency of the European Union or similar monetary or multinational authority, asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances or to fund or maintain Eurocurrency Rate Advances hereunder, (i) each Eurocurrency Rate Advance of such Lender will automatically, upon such notification, be Converted into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of such Lender to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and such Lender that the circumstances causing such suspension no longer exist and (b) if Lenders constituting the Required Lenders so notify the Administrative Agent, (i) each Eurocurrency Rate Advance of each Lender will automatically, upon such notification, Convert into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of each Lender to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and each Lender that the circumstances causing such suspension no longer exist. Any Lender that is prohibited from performing its obligations to make Advances or to continue to fund or maintain Advances may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 9.07.

SECTION 2.13 Payments and Computations. (a) The Borrower shall make each payment required to be made by it under this Agreement not later than 11:00 A.M. (Tokyo time) on the day when due in Dollars (or (i) with respect to principal, interest or breakage indemnity due in respect of Advances denominated in Euros and (ii) with respect to other payments required to be made pursuant to Section 2.11 or 9.04 that are invoiced in Euros shall be payable in Euros) to the Administrative Agent at the applicable Administrative Agent's Office in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12(a) (or if applicable the last sentence of Section 2.12), 2.14, 2.15 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the assignor for amounts which have accrued to but excluding the effective date of such assignment and to the assignee for amounts which have accrued from and after the effective date of such assignment. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender by the Borrower is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due, unless otherwise agreed between the Borrower and such Lender.

(c) All computations of interest hereunder shall be made by the Administrative Agent on the basis of a year of 360 days and in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by the

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Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent demonstrable error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(e) Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent, following prompt notice thereof, forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Cost of Funds Rate.

SECTION 2.14 Taxes. (a) Any and all payments by or on behalf of the Borrower under any Loan Document shall be made, in accordance with Section 2.13, free and clear of and without deduction for any Taxes, excluding, in the case of each Lender and the Administrative Agent, (i) taxes imposed on (or measured by) its overall net income (however denominated), franchise taxes, and branch profits taxes, in each case (A) imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or any political subdivision thereof, by the jurisdiction of the Administrative Agent's principal office or such Lender's Applicable Lending Office, as the case may be, or any political subdivision thereof or (B) that are Other Connection Taxes, (ii) with respect to a Lender that is not a Japanese tax resident or a Japanese branch of a non-Japanese tax resident and is not entitled to a full exemption on Japanese withholding tax on interest payments under a tax treaty entered into by Japan and that is in effect on the date specified in this clause (ii)(A)-(B) below, any Japanese withholding Taxes imposed by a Governmental Authority pursuant to a law in effect on the date on which (A) a Lender acquires such interest in an Advance or Commitment or, with respect to the Administrative Agent, the date that the Administrative Agent becomes a party to a Loan Document or (B) a Lender changes its Applicable Lending Office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Applicable Lending Office, (iii) any Tax that is imposed (for the avoidance of doubt, including any Tax that is imposed at higher effective tax rate) by reason of such Lender's or the Administrative Agent's failure to comply with Section 2.14(f), and (iv) any withholding taxes imposed under FATCA (all such excluded Taxes in respect of payments under any Loan Document being hereinafter referred to as "Excluded Taxes"). If any Taxes from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent shall be required to be deducted or withheld under applicable law, (A) the Borrower shall be entitled to make such deductions or withholdings and (B) the Borrower shall pay the full amount deducted or withheld to the relevant taxation authority or other Governmental Authority in accordance with applicable law. If any Taxes other than Excluded Taxes shall be required to be deducted from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent, the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made.

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(b) In addition, without duplication of any other obligation set forth in this Section 2.14, the Borrower agrees to pay to the relevant taxing authority or Governmental Authority any present or future stamp and documentary Taxes and any other excise or property Taxes, charges or similar levies that arise from any payment made by it under any Loan Document or from the execution, delivery or registration of, or performance under, or otherwise with respect to, any Loan Document other than any such Taxes, charges or similar levies that are Other Connection Taxes imposed with respect to an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower) (such Taxes, charges or similar levies, hereinafter referred to as “Other Taxes”).

(c) Without duplication of any other obligation set forth in this Section 2.14, the Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes (other than Excluded Taxes) and Other Taxes (except to the extent such Other Taxes are Other Connection Taxes imposed solely as a result of an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower)) imposed on or paid by such Lender or the Administrative Agent, as the case may be, in respect of Advances made to the Borrower and any liability (including, without limitation, penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as the case may be, makes written demand therefor. Such Lender or the Administrative Agent shall deliver to the Borrower a certificate describing in reasonable detail the amount of such payment or liability.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Borrower to do so) and (ii) any Taxes attributable to such Lender’s failure to comply with the provisions of Section 9.07(e) relating to the maintenance of a Participant Register, in either case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate describing in reasonable detail the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) As soon as practical after the date of any payment of Taxes or Other Taxes for which the Borrower is responsible under this Section 2.14, the Borrower shall furnish to the Administrative Agent, at its address as specified in Schedule II, the original or a certified copy of a receipt evidencing payment thereof.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.14(f)(ii) below) shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(1) Any Lender that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent executed originals of IRS Form W-9 (and any applicable successor form) and such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent certifying that such Lender is exempt from U.S. federal backup withholding tax. The forms described in this Section 2.14(f)(ii)(1) shall be provided by each Lender to the Borrower and the Administrative Agent at the time such Lender becomes a party to this Agreement, at the time or times prescribed by applicable Laws, when reasonably requested by the Borrower or the Administrative Agent, and promptly upon the obsolescence, invalidity or expiration of any form previously provided by such Lender;

(2) Any Lender that is neither a Japanese tax resident nor a Japanese branch of a non-Japanese tax resident shall provide, to the extent it is legally entitled to do so, the applicable documentation to claim the benefits of a tax treaty entered into by Japan, at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent;

(3) Any Lender that is a Japanese branch of a non-Japanese tax resident shall present, to the extent it is legally entitled to do so, a Certificate of Exemption for Withholding Tax for Foreign Corporations issued by the relevant tax authority in Japan pursuant to Article 180 of the Income Tax Act of Japan (*shotokuzeihou*) at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent.

(iii) If a payment made to a Lender under any Loan Document would be subject to withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower or the Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this clause 2.14(f)(ii), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(iv) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(v) Notwithstanding the foregoing, any Japanese Taxes resulting from the failure or legal inability of a Lender to provide any tax forms pursuant to Section 2.14(f)(i)-(ii) or (iv) shall be considered Excluded Taxes unless (x) such Taxes are imposed as a result of a change in law or treaty occurring after the date the Lender became a party to this Agreement or acquired its interest in a Loan or Commitment and would otherwise have not been treated as an Excluded Tax under Section 2.14(a) but for this Section 2.14(f)(v) or (y) such Taxes were grossed up with respect to the Lender’s assignor immediately before such Lender became a party.

(g) In the event that an additional payment is made under Section 2.14(a) or 2.14(c) for the account of the Administrative Agent or any Lender and the Administrative Agent or such Lender, in its sole discretion exercised in good faith, determines that it has received a refund of any tax paid or payable by it in respect of or

calculated with reference to the deduction or withholding giving rise to such additional payment (including by the payment of additional amounts pursuant to this Section 2.14), the Administrative Agent or such Lender shall pay to the Borrower such amount equal to such refund as the Administrative Agent or such Lender shall, in its reasonable discretion exercised in good faith, have determined is attributable to such deduction or withholding and will leave the Administrative Agent or such Lender (after such payment) in no worse position than it would have been had the Borrower not been required to make such deduction or withholding. The Borrower, upon the request of the Administrative Agent or such Lender, shall repay to the Administrative Agent or such Lender the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. Nothing contained in this Section 2.14(g) shall (i) interfere with the right of a Lender to arrange its tax affairs in whatever manner it thinks fit or (ii) oblige the Administrative Agent or any Lender to disclose any information relating to its tax returns, tax affairs or any computations in respect thereof or (iii) require any Lender to take or refrain from taking any action that would prejudice its ability to benefit from any other credits, reliefs, remissions or repayments to which it may be entitled.

(h) Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under the Loan Documents.

(i) For purposes of this Section 2.14, the term "applicable law" includes FATCA.

SECTION 2.15 Sharing of Payments, Etc. Subject to Section 2.19 in the case of a Defaulting Lender, if any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Advances owing to it (other than pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12(a), 2.14 or 9.04(c)) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (a) the amount of such Lender's required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The provisions of this Section 2.15 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from a Defaulting Lender) as in effect from time to time or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances to any assignee or participant permitted hereunder.

SECTION 2.16 Use of Proceeds. The proceeds of the Advances shall be available, and the Borrower agrees that it shall apply such proceeds, solely towards Certain Funds Purposes.

SECTION 2.17 Evidence of Debt. (a) The Register maintained by the Administrative Agent pursuant to Section 9.07(d) shall include (i) the date and amount of each Borrowing made hereunder by the Borrower, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the

amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof.

(b) Entries made reasonably and in good faith by the Administrative Agent in the Register pursuant to subsection (a) above shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to each Lender under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit, expand or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.18 [Reserved].

SECTION 2.19 Defaulting Lenders.

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender (it being understood that the determination of whether a Lender is no longer a Defaulting Lender shall be made as described in Section 2.19(b)):

(i) such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to Section 2.04(a);

(ii) [reserved];

(iii) to the fullest extent permitted by applicable law, such Lender will not be entitled to vote in respect of amendments and waivers hereunder, and the Commitment and the outstanding Advances of such Lender hereunder will not be taken into account in determining whether the Required Lenders or all of the Lenders, as required, have approved any such amendment or waiver (and the definition of "Required Lenders" will automatically be deemed modified accordingly for the duration of such period); provided that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender; and

(iv) the Borrower may, at its sole expense and effort, require such Defaulting Lender to assign and delegate its interests, rights and obligations under this Agreement pursuant to Section 9.07.

(b) If the Borrower and the Administrative Agent agree in writing in their discretion that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

(c) Any payment of principal, interest, fees or other amounts received by the Administrative Agent hereunder for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 6.01 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.05 shall be applied at such time or times as follows: *first*, to the payment of any amounts owing by

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such Defaulting Lender to the Administrative Agent hereunder; *second* as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as reasonably determined by the Administrative Agent; *third*, as the Borrower may request, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Advances under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or otherwise pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

SECTION 2.20 Mitigation. (a) Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge that will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Borrower to pay any amount pursuant to Section 2.11 or 2.14 or (ii) the occurrence of any circumstance described in Section 2.12 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Borrower and the Administrative Agent). In furtherance of the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Borrower of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Lender's good faith judgment, be otherwise disadvantageous to such Lender.

(b) Notwithstanding any other provision of this Agreement, if any Lender fails to notify the Borrower of any event or circumstance which will entitle such Lender to compensation pursuant to Section 2.11 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Borrower for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Borrower of such event or circumstance.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effective Date. This Agreement shall become effective on and as of the first date on which the following conditions precedent have been satisfied (with the Administrative Agent acting reasonably in assessing whether the conditions precedent are satisfactory) (or waived in accordance with Section 9.01):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement and the other Loan Documents signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include .pdf or facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) All fees and other amounts then due and payable by the Consolidated Group to the Administrative Agent, the Arrangers and the Lenders under the Loan Documents or pursuant to any fee or similar letters

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relating to the Loan Documents shall be paid, to the extent invoiced by the relevant person at least one Business Day prior to the Effective Date and to the extent such amounts are payable on or prior to the Effective Date.

(c) The Administrative Agent shall have received on or before the Effective Date, each dated on or about such date:

(i) Certified copies of the resolutions or similar authorizing documentation of the governing bodies of the Borrower authorizing such Person to enter into and perform its obligations under the Loan Documents to which it is a party;

(ii) Certified copies of the Borrower's articles of incorporation, certificate of incorporation and bylaws (or comparable organizational documents) and any amendments thereto;

(iii) A certificate of the Borrower attaching a certificate of commercial registry (*rireki jikou zenbu shomeisho*) of the Borrower issued by a Legal Affairs Bureau and certifying that all information required to be registered under the laws of Japan has been registered in the commercial registry;

(iv) A customary certificate of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder; and

(v) A favorable opinion letter of each of (i) Linklaters LLP and (ii) Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent shall have received satisfactory evidence of the Borrower's Public Debt Rating as of a reasonably recent date prior to the Effective Date.

(e) The Administrative Agent shall have received a copy, certified by the Borrower, of the Original Scheme Press Release.

(f) The Administrative Agent shall have received, at least 3 Business Days prior to the Effective Date, so long as requested no less than 10 Business Days prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended) and the Patriot Act, in each case relating to the Borrower and its Subsidiaries, including the Borrower.

(g) The Administrative Agent shall have received a letter from the Service of Process Agent indicating its consent to its appointment by the Borrower as its agent to receive service of process as specified in this Agreement, and confirming that such appointment is in full force and effect and applies to this Agreement in all respects.

(h) The Arrangers shall have received a copy of the Disclosure Letter, it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Disclosure Letter.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date in writing promptly upon such conditions precedent being satisfied (or waived in accordance with Section 9.01), and such notice shall be conclusive and binding.

SECTION 3.02 Conditions Precedent to Closing Date. Subject to Section 3.04, the obligation of each Lender to make an Advance on the Closing Date is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

(a) The Effective Date shall have occurred.

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(b) If the Target Acquisition is effected by way of a Scheme, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Scheme Circular was posted to the shareholders of the Target;

(2) the date on which the Court has sanctioned the Scheme and that the Court Order has been duly delivered to the Registrar in accordance with Article 125(3) of the Jersey Companies Law;

(3) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(4) the Target Acquisition shall have been, or, within the time period permitted by the City Code, shall be, consummated in all material respects in accordance with the terms and conditions of the Scheme Documents except to the extent not prohibited by the Loan Documents; and

(5) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or to the extent not prohibited by the Loan Documents; and

(ii) a copy of the Scheme Circular which is consistent in all material respects with the terms and conditions in the Scheme Press Release and the Scheme Resolutions, in each case, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or are not prohibited by the Loan Documents.

(c) If the Target Acquisition is effected by way of a Takeover Offer, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Takeover Offer Document was posted to the shareholders of the Target;

(2) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(3) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or are not prohibited by the Loan Documents; and

(4) that the Takeover Offer has been declared unconditional in all respects without any material amendment, modification or waiver of the conditions to the Takeover Offer or of the Acceptance Condition except to the extent not prohibited by the Loan Documents; and

(ii) a copy of the Takeover Offer Document which is consistent in all material respects with the terms and conditions in the Offer Press Announcement, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or a court of competent jurisdiction or are permitted under the Loan Documents.

(d) On the date of the applicable borrowing request and on the proposed date of such borrowing (x) no Certain Funds Default is continuing or would result from the proposed Borrowing and (y) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

(e) All fees due and payable by the Borrower to the Arrangers, the Administrative Agent and the Lenders pursuant to paragraphs 1(i) and (ii) of the Fee Letter shall be paid or satisfied from the proceeds of the proposed Advance, to the extent invoiced at least one Business Day prior to the Closing Date by the relevant person and to the extent such amounts are payable on or prior to the Closing Date.

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(f) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.

(g) The Administrative Agent shall have received a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower and its Subsidiaries as of and for the twelve-month period ending on the last day of the most recently completed four- fiscal quarter period ended at least 45 days prior to the Closing Date, prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such statement of income) (the “Pro Forma Financials”), it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Pro Forma Financials).

(h) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advances or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make Advances hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date as soon as practicable upon its occurrence, and such notice shall be conclusive and binding.

SECTION 3.03 Conditions to Advances after the Closing Date. The obligation of each Lender to make an Advance on any date after the Closing Date and during the Availability Period is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

(a) Each of the Effective Date and the Closing Date shall have occurred.

(b) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.

(c) On the date of the applicable borrowing request and on the proposed date of such borrowing (i) no Certain Funds Default is continuing or would result from the proposed Borrowing and (ii) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

(d) [Reserved].

(e) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advances or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make Advances hereunder.

SECTION 3.04 Actions by Lenders During the Certain Funds Period. During the Certain Funds Period and notwithstanding (i) any provision to the contrary in the Loan Documents or (ii) that any condition set out in Sections 3.01, 3.02 or 3.03 may subsequently be determined to not have been satisfied or any representation given was incorrect in any material respect, none of the Lenders nor the Administrative Agent shall, unless a Certain Funds Default has occurred and is continuing or would result from a proposed borrowing or a Certain Funds Representation remains incorrect or, if a Certain Funds Representation does not include a materiality concept, incorrect in any material respect, be entitled to:

(i) cancel any of its Commitments;

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- (ii) rescind, terminate or cancel the Loan Documents or the Commitments or exercise any similar right or remedy or make or enforce any claim under the Loan Documents it may have to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;
- (iii) refuse to participate in the making of an Advance for Certain Funds Purposes unless the conditions set forth in Section 3.02 or, after the Closing Date, 3.03, as applicable, have not been satisfied;
- (iv) exercise any right of set-off or counterclaim in respect of an Advance to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes; or
- (v) cancel, accelerate or cause repayment or prepayment of any amounts owing under any Loan Document to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;

provided that immediately upon the expiry of the Certain Funds Period all such rights, remedies and entitlements shall be available to the Lenders and the Administrative Agent notwithstanding that they may not have been used or been available for use during the Certain Funds Period.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants on the Effective Date and the date of the making of each Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to each Advance are solely those set out in Sections 3.02 and 3.03, as applicable) as follows:

(a) The Borrower is duly organized, validly existing and in good standing (to the extent that such concept exists) under the laws of its jurisdiction of organization.

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, (i) are within the Borrower's organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (A) the Borrower's charter, articles of incorporation or by-laws or other organizational documents or (B) any law, regulation or contractual restriction binding on or affecting the Borrower and (iv) will not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Consolidated Group (other than Liens created or required to be created pursuant to the terms hereof), except, in the case of clause (iii)(B) and (iv), as would not be reasonably expected to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated hereby, other than (i) the Panel, as directed by the Panel pursuant to the requirements of the City Code, anti-trust regulators, as directed by anti-trust regulators, as contemplated by the Scheme Documents or (as the case may be) the Takeover Offer Documents or as is obtained by the time required and (ii) the Bank of Japan with respect to post-facto filings that may be required under the Foreign Exchange Act in connection with the performance of this Agreement.

(d) This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower. This Agreement and the other Loan Documents are legal, valid and binding obligations of the

Borrower, enforceable against the Borrower in accordance with its terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(e) The Borrower has heretofore furnished to the Lenders (i) its consolidated balance sheet at March 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended March 31, 2017, in each case reported on by KPMG AZSA LLC, independent public accountants and (ii) the consolidated balance sheet of the Target as December 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended December 31, 2017. Such financial statements (to the Borrower's knowledge with respect to the financial statements of the Target) present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Borrower and the Target, as applicable, and their respective consolidated Subsidiaries as of such dates and for such periods in accordance with IFRS and GAAP, as applicable, except as may be indicated in the notes thereto and subject to year-end audit adjustments and the absence of footnotes in the case of unaudited financial statements.

(f) There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), affecting the Consolidated Group pending or, to the knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, (a) would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Consolidated Group taken as a whole (other than the litigation set forth in the Disclosure Letter) or (b) would adversely affect the legality, validity and enforceability of any material provision of this Agreement in any material respect.

(g) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets of the Borrower and of the Consolidated Group, on a Consolidated basis, subject to the provisions of Section 5.02(a) will be Margin Stock. No part of the proceeds of any Advance have been used or will be used for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X of the Board.

(h) All written information (other than the Projections) concerning the Borrower, the Target and their Subsidiaries and the transactions contemplated hereby or otherwise prepared by or on behalf of the Borrower and its Subsidiaries and furnished to the Agents or the Lenders in connection with the negotiation of, or pursuant to the terms of, this Agreement when taken as a whole (and with respect to information regarding the Target Group, to the Borrower's knowledge), was true and correct in all material respects as of the date when furnished by such Person to the Agents or the Lenders and did not, taken as a whole, when so furnished contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not misleading in light of the circumstances under which such statements were made. The Projections and estimates and information of a general economic nature prepared by or on behalf of the Borrower or its Subsidiaries and that have been furnished by such Person to any Lenders or the Administrative Agent in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by such Person to be reasonable as of the date of such Projections (it being understood that actual results may vary materially from the Projections).

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect.

(j) [reserved].

(k) Neither the Borrower nor any ERISA Affiliate (i) is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan or has incurred any Withdrawal Liability that has not been satisfied in

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full or (ii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or has been determined to be in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA), and no such Multiemployer Plan is reasonably expected to be in reorganization or in “endangered” or “critical” status.

(l) (i) The operations and properties of the Consolidated Group comply, and have complied for the previous three years, in all respects with all applicable Environmental Laws and Environmental Permits except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (ii) all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without any ongoing obligations or costs except to the extent that such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (iii) to the Borrower’s knowledge, no circumstances exist that would be reasonably expected to (A) form the basis of an Environmental Action against a member of the Consolidated Group or any of its properties that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(m) (i) None of the properties currently or formerly owned or operated by a member of the Consolidated Group is listed or formally proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list; (ii) to the Borrower’s knowledge, there are no, and never have been any, underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any property currently owned or operated by any member of the Consolidated Group or, to the Borrower’s knowledge, on any property formerly owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (iii) to the Borrower’s knowledge, there is no asbestos or asbestos-containing material on any property currently owned or operated by a member of the Consolidated Group the mitigation of which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and (iv) to the Borrower’s knowledge, no Hazardous Materials have been released, discharged or disposed of on any property currently or formerly owned, leased or operated by a member of the Consolidated Group for which a member of the Consolidated Group could be expected to be made liable to remediate under Environmental Law except in each case as would not have a Material Adverse Effect.

(n) No member of the Consolidated Group is undertaking either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and, to the Borrower’s knowledge, all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by a member of the Consolidated Group, or any offsite locations to which a member of the Consolidated Group sent Hazardous Materials for treatment or disposal, have been disposed of in a manner that, either individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(o) The Borrower is not an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(p) The Advances and all related obligations of the Borrower under this Agreement rank pari passu with all other unsecured obligations of the Borrower that are not, by their terms, expressly subordinate to the obligations of the Borrower hereunder.

(q) The proceeds of the Advances will be used in accordance with Section 2.16.

(r) The Borrower has implemented and maintains in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and directors and to the knowledge of the Borrower its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (i) the Borrower, any Subsidiary, any of their respective directors or officers or to the knowledge of the Borrower or such Subsidiary employees, or (ii) to the knowledge of the Borrower, any agent of the Borrower or any agent of any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

(s) No Borrowing or use of proceeds thereof or the Transactions will violate any applicable Anti-Corruption Law or applicable Sanctions.

(t) The Borrower has delivered to the Administrative Agent a complete and correct copy of the Scheme Documents (if and when issued) or, as the case may be, the Offer Documents (if and when issued), including all schedules and exhibits thereto. The release of the Offer Press Announcement and the posting of the Takeover Offer Documents if a Takeover Offer is pursued has been or will be, prior to their release or posting (as the case may be) duly authorized by the Borrower. Each of the material obligations of the Borrower under the Takeover Offer Documents is or will be, when entered into and delivered, the legal, valid and binding obligation of the Borrower, enforceable against such Persons in accordance with its terms in each case, except as may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the rights and remedies of creditors generally and (ii) general principles of equity.

(u) The Scheme Press Release and the Scheme Circular (in each case if and when issued) when taken as a whole: (i) except for the information that relates to the Target or the Target Group, do not (or will not if and when issued) contain (to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case)) any statements which are not in accordance with the material facts, or where appropriate, do not omit anything likely to affect the import of such information and (ii) contain all the material terms of the Scheme.

(v) If the Target Acquisition is effected by way of a Scheme, each of the Scheme Documents complies in all material respects with the Jersey Companies Law and the City Code, subject to any applicable waivers by or requirements of the Panel.

(w) The Borrower is not an EEA Financial Institution.

SECTION 4.02 Representations and Warranties of the Lenders and the Borrower. Each of the Borrower and each Lender represents and warrants on the Effective Date and the date of the making of each Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to each Advance are solely those set out in Sections 3.02 and 3.03, as applicable) that it is not classified, does not belong to nor is it associated with an Anti-Social Group, does not have an Anti-Social Relationship and has not engaged in Anti-Social Conduct, whether directly or indirectly through a third party.

ARTICLE V

COVENANTS

SECTION 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. (i) Comply, and cause each member of the Consolidated Group to comply, with all applicable laws, rules, regulations and orders (such compliance to include, without

limitation, compliance with ERISA and Environmental Laws), except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and (ii) maintain in effect and enforce policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(b) Payment of Taxes, Etc. Pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon a member of the Consolidated Group or upon the income, profits or property of a member of the Consolidated Group, in each case except to the extent that (i) the amount, applicability or validity thereof is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with applicable accounting standards have been provided or (ii) the failure to pay such taxes, assessments and charges, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) Maintenance of Insurance. Except where the failure to do so would reasonably be expected to result in a Material Adverse Effect, maintain, and cause each member of the Consolidated Group to maintain, insurance with responsible and reputable insurance companies or associations (or pursuant to self-insurance arrangements) in such amounts (after giving effect to any self-insurance which the Borrower believes (in the good faith judgement of management of the Borrower) is reasonable and prudent in light of the size and nature of its business) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which any member of the Consolidated Group operates.

(d) Preservation of Existence, Etc. Do, or cause to be done, all things necessary to preserve and keep in full force and effect its (i) existence and (ii) rights (charter and statutory) and franchises; provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5.02(b); and provided further that the Borrower shall not be required to preserve any such right or franchise if the management of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time during normal business hours (but not more than once annually if no Event of Default has occurred and is continuing), upon no less than ten (10) days' prior notice to the Borrower, permit the Administrative Agent or any of the Lenders, or any agents or representatives thereof coordinated through the Administrative Agent, to examine and make copies of and abstracts from the records and books of account, and visit the properties, of the Consolidated Group, and to discuss the affairs, finances and accounts of the Consolidated Group with any of the members of the senior treasury staff of the Borrower.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Consolidated Group sufficient to permit the preparation of financial statements in accordance with IFRS.

(g) Maintenance of Properties, Etc. Cause all of its properties that are used or useful in the conduct of its business or the business of any member of the Consolidated Group to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, except, in each case, where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(h) [Reserved].

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(i) Reporting Requirements. Furnish to the Administrative Agent for further distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Consolidated Group as of the end of such quarter and Consolidated statements of income and cash flows of the Consolidated Group for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified by the Chief Financial Officer or the Treasurer of the Borrower as having been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments);

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Consolidated Group, containing a Consolidated balance sheet of the Consolidated Group as of the end of such fiscal year and Consolidated statements of income and cash flows of the Consolidated Group for such fiscal year, in each case accompanied by an unqualified opinion or an opinion reasonably acceptable to the Required Lenders by KPMG AZSA LLC or other independent public accountants of recognized national standing;

(iii) simultaneously with each delivery of the financial statements referred to in subclauses (i)(i) and (i)(ii) of this Section 5.01, a certificate of the Chief Executive Officer, Chief Financial Officer or the Treasurer of the Borrower in substantially the form of Exhibit C hereto certifying that no Default or Event of Default has occurred and is continuing (or if such event has occurred and is continuing the actions being taken by the Borrower to cure such Default or Event of Default), including, if such covenant is tested at such time, setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03;

(iv) as soon as possible and in any event within five days after any Responsible Officer of the Borrower shall have obtained knowledge of the occurrence of each Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, in their capacity as such, and copies of all reports and registration statements that members of the Consolidated Group file with the Prime Minister of Japan through the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after a Responsible Officer of the Borrower obtains knowledge of the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, governmental agency or arbitrator affecting the Consolidated Group of the type described in Section 4.01(f)(b) subject, in each case, to any confidentiality, legal or regulatory restrictions relating to the supply of such information; and

(vii) such other information respecting the Consolidated Group as any Lender through the Administrative Agent may from time to time reasonably request.

The Borrower shall be deemed to have delivered the financial statements and other information referred to in paragraphs (i), (ii) and (v) above when such financial statements and other information have been posted on the Borrower's internet website or the website of the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange (in each case, to the extent such website is accessible by the Lenders without charge) and the Borrower has notified the Administrative Agent by electronic mail of such posting. If the Administrative Agent requests hard copies of such financial statements and other information, the Borrower shall furnish these to the Administrative Agent provided that no request shall affect that delivery has deemed to occur in accordance with the immediately preceding sentence.

(j) The Scheme and Related Matters. To the extent applicable, the Borrower shall or it shall procure that the applicable members of the Consolidated Group shall:

(i) [reserved].

(ii) Provide evidence that a Scheme Circular is issued and dispatched as soon as is reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Original Scheme Press Release unless, during that period the Borrower has elected to convert the Target Acquisition from a Scheme to a Takeover Offer, in which case the Takeover Offer Document shall be issued and dispatched as soon as reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Offer Press Announcement.

(iii) Comply in all material respects with the City Code (subject to any waivers or dispensations granted by the Panel or the Court) and all other applicable laws and regulations in relation to any Takeover Offer or Scheme.

(iv) Except as consented to by the Arrangers in writing (such consent not to be unreasonably withheld, delayed or conditioned) and save to the extent that following the issue of a Scheme Press Release or an Offer Press Announcement the Borrower elects to proceed with the Target Acquisition by way of Takeover Offer or Scheme respectively, ensure that (i) if the Target Acquisition is effected by way of a Scheme, the Scheme Circular corresponds in all material respects to the terms and conditions of the Scheme as contained in the Scheme Press Release to which it relates or (ii) if the Target Acquisition is effected by way of a Takeover Offer, the Takeover Offer Document corresponds in all material respects to the terms and conditions of the Takeover Offer as contained in the corresponding Offer Press Announcement, subject to any variation required by the Court and to any variations required by the Panel or which are not materially adverse to the interests of the Lenders (or where the prior written consent of the Arrangers has been given).

(v) Ensure that the Scheme Documents or, if the Target Acquisition is effected by way of a Takeover Offer, the Offer Documents, provided to the Arrangers contain all the material terms and conditions of the Scheme or Takeover Offer, as at that date, as applicable.

(vi) Not make or approve any increase in the proposed amount of cash consideration payable per Target Share or make any other acquisition of any Target Share (including pursuant to a Takeover Offer) at a price that results in an increase in the cash consideration payable per Target Share stated in the Original Scheme Press Release, unless such modification in price is not materially adverse to the interests of the Lenders (or where the prior written consent of the Arrangers has been given).

(vii) Except as consented to by the Arrangers in writing in the event that the matter is material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed, or conditioned), not (i) amend or waive any term of the Scheme Documents or the Takeover Offer Documents, as applicable, in a manner materially adverse to the interests of the Lenders from those in the Original Scheme Press Release, or (ii) if the Target Acquisition is proceeding as a Takeover Offer, amend or waive the Acceptance Condition, save for, (A) in the case of clause (i), any amendment or waiver required by the Panel, the City Code, a court or any other applicable law, regulation or regulatory body, (B) in the case of clause (ii), a waiver of the Acceptance Condition to permit the Takeover Offer to become unconditional with acceptance of Target Shares (excluding any shares held in treasury) which, when aggregated with all Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury) as at the date on which the Takeover Offer is declared unconditional as to acceptances, (C) in the case of clause (i) and any condition detailed in the Original Scheme Press Release, any waiver of a condition, which such condition would not have entitled the Borrower to lapse the Scheme or Takeover Offer (as the case

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may be) under rule 13.5(a) of the Takeover Code or (D) an extension of the Long Stop Date (as defined in the Original Scheme Press Release) in the event that any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Offer Press Announcement) has not been satisfied by the date falling 12 months after the Bridge Facility Effective Date.

(viii) Not take any action which would require the Borrower to make a mandatory offer for the Target Shares in accordance with Rule 9 of the City Code.

(ix) Provide the Administrative Agent with copies of each Offer Document or Scheme Document (as applicable) and such information as it may reasonably request regarding, in the case of a Takeover Offer, the current level of acceptances subject to any confidentiality, legal, regulatory or other restrictions relating to the supply of such information.

(x) Promptly deliver to the Administrative Agent the receiving agent certificate issued under Rule 10 of the City Code (if the Target Acquisition is being pursued pursuant to a Takeover Offer), any written agreement between the Borrower or its Affiliates and Target to the extent material to the interests of the Lenders (as reasonably determined by the Borrower) in relation to the consummation of the Target Acquisition (in each case, upon such documents or agreements being entered into by a member of the Consolidated Group), and all other material announcements and documents published by the Borrower or delivered by the Borrower to the Panel pursuant to the Takeover Offer or Scheme (other than the cash confirmation) and all legally binding agreements entered into by the Borrower in connection with a Takeover Offer or Scheme, in each case to the extent the Borrower, acting reasonably, anticipates they will be material to the interests of the Lenders in connection with the Transactions, except to the extent it is prohibited by legal (including contractual) or regulatory obligations from doing so.

(xi) In the event that a Scheme is switched to a Takeover Offer or vice versa, (which the Borrower shall be entitled to do on multiple occasions provided that it complies with the terms of this Agreement), (i) within the applicable time periods provided in the definition of “Mandatory Cancellation Event”, procure that an Offer Press Announcement or Scheme Press Release, as the case may be, is issued, and (ii) except as consented to by the Arrangers in writing where such matters are material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed or conditioned), ensure that (A) where the Target Acquisition is then proceeding by way of a Takeover Offer, the terms and conditions contained in the Offer Document include the Acceptance Condition and (B) except for any reference in the Scheme Documents to the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of the Target, the conditions to be satisfied in connection with the Target Acquisition and contained in the Offer Documents or the Scheme Documents (whichever is applicable) are otherwise consistent in all material respects with those contained in the Offer Documents or Scheme Documents (whichever applied to the immediately preceding manner in which it was proposed that the Target Acquisition would be effected) (to the extent applicable for the legal form of a Takeover Offer or Scheme, as the case may be), in each case other than (i) in the case of clause (B), any changes permitted or required by the Panel or the City Code or any court of competent jurisdiction or are required to reflect the change in legal form to a Takeover Offer or Scheme or (ii) changes that could have been made to the Scheme or a Takeover Offer in accordance with the relevant provisions of this Agreement or which reflect the requirements of the terms of this Agreement and the manner in which the Target Acquisition may be effected, including, without limitation, changes to the price per Target Share which are made in accordance with the relevant provisions of this Agreement or any other agreement between the Borrower and the Arrangers.

(xii) In the case of a Takeover Offer, (i) not declare the Takeover Offer unconditional as to acceptances until the Acceptance Condition has been satisfied and (ii) promptly upon the Borrower

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acquiring Target Shares which represent not less than 90% in nominal value of the Target Shares to which the Takeover Offer relates or, if the Takeover Offer relates to Target Shares of different classes, not less than 90% in nominal value of the shares of any class to which the Takeover Offer relates, ensure that notices under Article 117 of the Jersey Companies Law in respect of Target Shares that the Borrower has not yet agreed to directly or indirectly acquire are issued.

(xiii) In the case of a Scheme, within 90 days of the Scheme Effective Date, and in relation to a Takeover Offer, within 90 days after the later of (i) the Closing Date and (ii) the date upon which the Borrower (directly or indirectly) owns and/or has agreed to own or acquire and has received valid acceptances (which have not been withdrawn or cancelled) of Target Shares (excluding any shares held in treasury) in respect of, which, when aggregated with all other Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury), procure that such action as is necessary is taken to de-list the Target Shares from the Official List of the Financial Conduct Authority and to cancel trading in the Target Shares on the main market for listed securities of the London stock exchange and as soon as reasonably practicable thereafter, and subject always to the Jersey Companies Law and any applicable listing rules, use its reasonable endeavors to re-register Target as a private limited company.

(xiv) Except as consented by the Arrangers in writing, not give its consent with respect to any frustrating action of the Target pursuant to Rule 21.1(c)(ii) of the City Code.

(k) Use of Proceeds. The proceeds of the Advances will be used in accordance with the provisions of Section 2.16. No part of the proceeds of any Advance will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. The Borrower will not request any Borrowing, and the Borrower shall not use, and the Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing (i) for payments to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, Japan, the United Kingdom or in a European Union member state or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

(l) Anti-Social Conduct; Anti-Social Groups. Each party hereto shall ensure that (i) it is not classified as an Anti-Social Group, nor shall any such party have any Anti-Social Relationship nor engage in any Anti-Social Conduct, whether directly or indirectly through a third party and (ii) it shall not make any claim against any other party hereto for any damages or losses suffered or incurred as a result of such other party exercising its rights under this Agreement as a result of any breach of this clause (l) or any misrepresentation in connection with Section 4.02.

The Borrower hereby acknowledges that the Administrative Agent and/or the Arrangers will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar secure electronic system (the "Platform").

Certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC"; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to the Borrower or its

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securities for purposes of the FIEA or United States Federal and state securities laws (provided, however, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 9.08); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designed "Public Side Information"; and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information." Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC."

For purposes of the foregoing paragraph, with respect to the Borrower or its affiliates or securities, the term "material non-public information" shall include, without limitation (i) "material facts" (*juyo jijitsu*) as prescribed in Paragraph 2, Article 166 (Prohibited Acts of Corporate Insiders) of the FIEA and/or (iii) "issuer related information" (*hojin kankei jyouho*) as defined in Item 14, Paragraph 4, Article 1 of the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52 of August 6, 2007), meaning any information relating to the operation, business or asset of the Borrower which is material non-public information and, if it were made public, would likely to have an effect on the investment decision of the investors and any non-public information in relation to a launch or a cancellation of a TOB of shares of common stock of the Borrower.

SECTION 5.02 Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Incur, issue, assume or guarantee, or permit any member of the Consolidated Group to incur, issue, assume or guaranty, at any time, any Borrowed Debt secured by a Lien on any property or asset now owned or hereafter acquired by the Borrower or any member of the Consolidated Group (other than Unrestricted Margin Stock), without effectively providing that the Advances outstanding at such time (together with, if the Borrower shall so determine, any other Borrowed Debt of the Borrower or such member of the Consolidated Group existing at such time or thereafter created that is not subordinate to the Advances) shall be secured equally and ratably with (or prior to) such secured Borrowed Debt, so long as such secured Borrowed Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Borrowed Debt would not exceed \$2,500,000,000; provided, however, that this Section 5.02(a) shall not apply to, and there shall be excluded from secured Borrowed Debt in any computation under this Section 5.02(a), Borrowed Debt secured by:

(i) Liens on property of, or on any shares of stock or Borrowed Debt of, any Person existing at the time such Person becomes a member of the Consolidated Group;

(ii) Liens in favor of any member of the Consolidated Group;

(iii) Liens incurred in the ordinary course of business to secure the performance of tenders, statutory or regulatory obligations, surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) Liens on property of a member of the Consolidated Group in favor of the United States or any State thereof, or any department, agency or instrumentality or political subdivision of the United States or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute;

(v) Liens on property (including that of the Target and its Subsidiaries), shares of stock or Borrowed Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction or improvement cost thereof or to secure any Debt incurred prior to, at the time of, or within 180 days after, the acquisition of such property or shares or Borrowed Debt or the completion of any such

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construction or improvement for the purpose of financing all or any part of the purchase price or construction or improvement cost thereof;

(vi) Liens existing on the Effective Date;

(vii) (x) bankers' Liens, rights of setoff, revocation, refund, chargeback or overdraft protection, and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower or any member of the Consolidated Group, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements and (y) Liens or rights of setoff against credit balances of the Borrower or any member of the Consolidated Group with credit card issuers or credit card processors or amounts owing by payment card issuers or payment card processors to Borrower or any member of the Consolidated Group in the ordinary course of business;

(viii) Liens arising from any monetization, securitization or other financing of accounts receivable or other receivables (including any related rights or claims) or in connection with factoring programs entered into in the ordinary course of business and consistent with past practice and on a non-recourse basis to the Borrower and its Subsidiaries; provided, that such Liens do not encumber any property or assets other than the accounts receivable or other receivables (including any related rights or claims) subject to such monetization, securitization, financing or factoring arrangement and any proceeds of the foregoing; provided, further, that the aggregate principal amount of the obligations secured by such Liens shall not exceed (x) prior to the Closing Date, \$750,000,000 or (y) on or after the Closing Date, \$1,500,000,000.

(ix) Liens incurred in connection with pollution control, industrial revenue or similar financing;

(x) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases, licenses, special assessments, rights of way covenants, conditions, restrictions and declarations on or with respect to the use of real property, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of the business of the Borrower or any member of the Consolidated Group; and

(xi) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Borrowed Debt secured by any Lien referred to in subclauses (i) through (x) of this Section 5.02(a); provided, that (i) such extension renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Debt that secured the Lien extended, renewed or replaced (plus improvements on such property) and (ii) the Borrowed Debt secured by such Lien at such time is not increased.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock) (whether now owned or hereafter acquired) to, any Person, or permit any member of the Consolidated Group to do so, except that:

(i) any member of (x) the Consolidated Group other than the Borrower may merge or consolidate with or into or (y) the Consolidated Group may dispose of assets to, in each case, any other member of the Consolidated Group;

(ii) the Borrower may merge with any other Person so long as (A) the Borrower is the surviving entity or (B) the surviving entity shall succeed, by agreement reasonably satisfactory in form and

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substance to the Required Lenders, to all of the businesses and operations of the Borrower and shall assume all of the rights and obligations of the Borrower under this Agreement and the other Loan Documents (it being understood that notwithstanding the foregoing, the consummation of the Transactions shall not be prohibited by this Section 5.02(b) or otherwise pursuant hereto);

(iii) any member of the Consolidated Group (other than the Borrower) may merge or consolidate with or into another Person, convey, transfer, lease or otherwise dispose of all or any portion of its assets so long as (A) the consideration received in respect of such merger, consolidation, conveyance, transfer, lease or other disposition is at least equal to the fair market value of such assets and (B) no Material Adverse Effect would reasonably be expected to result from such merger, consolidation, conveyance, transfer, lease or other disposition;

provided, in the cases of clause (i), (ii) and (iii) hereof, that no Default or Event of Default (or, during the Certain Funds Period, no Certain Funds Default) shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Change the Borrower's fiscal year-end from March 31 of each calendar year; provided that the Borrower may change its fiscal year-end to December 31 of each calendar year in connection with the Transactions.

(d) Change in Nature of Business. Make any material change in the nature of the business of the Consolidated Group, taken as a whole, from that carried out by the Borrower and its Subsidiaries (other than the Target and its Subsidiaries) on the Effective Date and by Target and its Subsidiaries on the Closing Date; it being understood that this Section 5.02(d) shall not prohibit (i) the Transactions or (ii) members of the Consolidated Group from conducting any business or business activities incidental or related to such business as carried on as of the Effective Date (in the case of the Borrower and its Subsidiaries other than the Target and its Subsidiaries) or as of the Closing Date (in the case of the Target and its Subsidiaries) or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

(e) Subsidiary Debt. Permit any of its Subsidiaries to create or suffer to exist any Borrowed Debt other than:

(i) Borrowed Debt existing on the Effective Date and disclosed to the Lenders prior to the date hereof (the "Existing Debt");

(ii) Borrowed Debt of any Person (including the Target or any of its Subsidiaries) that becomes a Subsidiary after the date hereof; provided that such Borrowed Debt exists at the time such Person becomes a Subsidiary of the Borrower and is not created in contemplation of or in connection with such Person becoming a Subsidiary of the Borrower;

(iii) Borrowed Debt of any Subsidiary owed to any member of the Consolidated Group;

(iv) Borrowed Debt secured by Liens of the type described in and to the extent permitted by Sections 5.02(a)(iii), (iv), (v), (ix) and (xi) (to the extent it applies to Borrowed Debt secured by Liens referred to in Sections 5.02(a)(iii), (iv), (v) or (ix));

(v) Borrowed Debt under ordinary course working capital or overdraft facilities;

(vi) Borrowed Debt consisting of commercial paper;

(vii) Borrowed Debt consisting of purchase money indebtedness; and

(viii) Borrowed Debt in an aggregate outstanding principal amount at any time not exceeding the greater of (x) \$2,500,000,000 and (y) 15% of Consolidated Tangible Assets (determined by reference to the financial statements most recently delivered pursuant to Section 5.01(i) (or prior to the first such delivery, the financial statements referred to in Section 4.01(e)));

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For purposes of calculating the aggregate principal amount of the Consolidated Tangible Assets of the Borrower on any date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

SECTION 5.03 Financial Covenant. Consolidated Net Debt to Consolidated EBITDA. Beginning on the later of (i) the last day of the first fiscal half year ending at least one full fiscal quarter after the Closing Date (which, for the avoidance of doubt, shall be no later than March 31, 2020) and (ii)(A) if the fiscal year-end is December 31, June 30, 2019 or (B) if the fiscal year-end is March 31, September 30, 2019 and on the last day of each fiscal half year ending thereafter, the Borrower will not permit, as of the last day of any such fiscal half year (each such date, the “Testing Date”), the ratio of (x) Consolidated Net Debt at such time to (y) Consolidated EBITDA of the Borrower for the four consecutive fiscal quarter period ending as of such date to exceed the ratio level set forth in the applicable table below for such applicable Testing Date:

<u>Testing Date (if fiscal year-end is March 31)</u>	<u>Ratio Level</u>
September 30, 2019 (if the Closing Date occurs on or prior to June 30, 2019)	5.95 to 1.00
March 31, 2020 and September 30, 2020	5.35 to 1.00
March 31, 2021 and September 30, 2021	4.30 to 1.00
March 31, 2022 and thereafter	4.00 to 1.00
<u>Testing Date (if fiscal year-end is December 31)</u>	<u>Ratio Level</u>
June 30, 2019 (if the Closing Date occurs on or prior to March 31, 2019) and December 31, 2019	5.95 to 1.00
June 30, 2020 and December 31, 2020	5.35 to 1.00
June 30, 2021 and December 31, 2021	4.30 to 1.00
June 30, 2022 and thereafter	4.00 to 1.00

If a Testing Date would have occurred in the fiscal quarter in which the Borrower changed its fiscal year-end to December 31 (the “Fiscal Year Change”) but does not because of such Fiscal Year Change, the last day of such fiscal quarter shall be a Testing Date notwithstanding the Fiscal Year Change.

Notwithstanding the foregoing, in the event that the Borrower incurs indebtedness in an amount no less than \$5,000,000,000 in connection with an Acquisition and the Borrower’s Public Debt Rating is equal to or higher than each of (x) Baa3 from Moody’s and (y) BBB- from S&P, then the Borrower shall be permitted on one (1) occasion during the term of this Agreement to allow the maximum ratio of Consolidated Net Debt to Consolidated EBITDA permitted pursuant this Section 5.03 to be increased to 5.00 to 1.00 (if the then applicable required ratio level is lower than 5.00 to 1.00); provided that on the second Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Section 5.03 shall be 4.50 to 1.00 and on the fourth Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Section 5.03 shall be 4.00 to 1.00.

For purposes of calculating the aggregate principal amount of the Consolidated Net Debt of the Borrower on any such date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events (“Events of Default”) shall occur and be continuing:

(a) The Borrower shall fail (i) to pay any principal of any Advance when the same becomes due and payable or (ii) to pay any interest on any Advance or make any payment of fees or other amounts payable under this Agreement within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or in any other Loan Document (or any of its officers or directors) in connection with this Agreement or in any certificate or other document furnished pursuant to or in connection with this Agreement, if any, in each case shall prove to have been incorrect in any material respect when made or deemed made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d)(i), 5.01(i)(iv), 5.01(j), 5.02(a), 5.02(b), 5.02(d), 5.03 or (ii) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e) or clauses (i)-(iii) or (v)-(vii) of Section 5.01(i) if such failure shall remain unremedied for 10 Business Days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement, if any, in each case on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(d) The Borrower or any Significant Subsidiary shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount, or, in the case of any Hedge Agreement, having a maximum Agreement Value, of at least \$200,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Significant Subsidiary, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; it being understood and agreed that notwithstanding the foregoing, the delivery of a notice of prepayment by one or more lenders under the Existing Target Indebtedness as a result of the occurrence of the Target Acquisition will not result in an Event of Default under this clause (d); provided that this clause (d) will apply to the extent there is a failure to make any such prepayment when the same becomes due and payable; or

(e) The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such

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proceeding shall remain undismissed or unstayed for a period of 60 days; or the Borrower or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this Section 6.01(e). With respect to the Borrower or any Significant Subsidiary organized under the laws of Japan, the following shall constitute an Event of Default: if (i) the Borrower makes an express declaration or implicit declaration of its inability to pay its debts to its creditors generally (*shiharai teishi*); (ii) a bank clearinghouse refuses to process the Borrower's checks (*tegata torihiki teishi shobun*); or densai.net Co., Ltd. (iii) an order is issued by a court for the attachment (whether preliminary or otherwise) or preservation of the Borrower's material property, estate or other right and is not discharged within sixty (60) days; (iv) a receiver or trustee is appointed for all or a portion of the property or estate of the Borrower; (v) an involuntary petition for commencement of bankruptcy (*hasan*), corporate reorganization (*kaisha kosei*), civil rehabilitation (*minji saisei*), special liquidation (*tokubetsu seisan*) or similar proceedings are filed against the Borrower and are not discharged within sixty (60) days; (vi) the Borrower files a voluntary petition (including a petition filed by a director of the Borrower) to commence, or a court of competent jurisdiction approves an involuntary petition with respect to and commences the procedure of, any of the proceedings specified in subparagraph (v) above; (vii) a voluntary petition to commence a special conciliation proceeding (*tokutei choutei*); or (viii) the Borrower adopts a resolution for liquidation at a meeting of its shareholders; or

(f) Any one or more judgments or orders for the payment of money in excess of \$200,000,000 shall be rendered against a member of the Consolidated Group and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that, for purposes of determining whether an Event of Default has occurred under this Section 6.01(f), the amount of any such judgment or order shall be reduced to the extent that (A) such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (B) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, such judgment or order; or

(g) Any Person shall become an owner (*hoyusha*) or two or more Persons shall become joint owners (*kyodo hoyusha*) (in each case within the meaning of Articles 27-23 of the FIEA) of Voting Stock of the Borrower (or other securities convertible into or exchangeable for such Voting Stock) representing 50% or more of the combined voting power of all Voting Stock of the Borrower (as calculated pursuant to Article 27-23, Paragraph 4 of the FIEA); or

(h) One or more of the following shall have occurred or is reasonably expected to occur, which in each case would reasonably be expected to result in a Material Adverse Effect: (i) any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; or (iii) the termination of a Multiemployer Plan; or

(i) This Agreement shall cease to be valid and enforceable against the Borrower (except to the extent it is terminated in accordance with its terms) or the Borrower shall so assert in writing;

then, and in any such event (subject to Section 3.04), the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, (but for the avoidance of doubt, always subject to Section 3.04) that in the event of an Event of Default under Section 6.01(e), (A) the Commitment of each Lender shall automatically be terminated

and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything in this Agreement to the contrary, for a period commencing on the Closing Date and ending on the date falling 180 days after the Closing Date (the “Clean-up Date”), notwithstanding any other provision of any Loan Document, any breach of covenants, misrepresentation or other default which arises with respect to the Target Group will be deemed not to be a breach of representation or warranty, a breach of covenant or an Event of Default, as the case may be, if:

- (i) it is capable of remedy and reasonable steps are being taken to remedy it;
- (ii) the circumstances giving rise to it have not knowingly been procured by or approved by the Borrower; and
- (iii) it is not reasonably likely to have a Material Adverse Effect.

If the relevant circumstances are continuing on or after the Clean-up Date, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be, notwithstanding the above.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby irrevocably appoints JPMorgan Chase Bank, N.A. (or any branch or Affiliate thereof designated by it) to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VII (other than the third sentence of Section 7.04) are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions (other than the third sentence of Section 7.04).

SECTION 7.02 Administrative Agent Individually. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity as a Lender. Such Person and its Affiliates may accept deposits from, own securities of, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any member of the Consolidated Group or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 7.03 Duties of Administrative Agent; Exculpatory Provisions.

(a) The Administrative Agent’s duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature, and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein or in any other Loan Document. Without limiting the generality of the foregoing, the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or

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percentage of the Lenders as shall be expressly provided for herein or in any other Loan Document); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 9.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until the Borrower or any Lender shall have given notice to the Administrative Agent describing such Default or Event of Default.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement or any other Loan Document or the information memorandum distributed in connection with the syndication of the Commitments and Advances hereunder, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender, and each Lender confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

SECTION 7.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the Effective Date, the making of any Advance or the Closing Date that by its terms must be fulfilled to the satisfaction of a Lender, each Lender shall be deemed to have consented to, approved or accepted such condition unless (i) an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the occurrence of the Effective Date, the making of such Advance or the Closing Date, as applicable, and (ii) in the case of a condition to the making of an Advance, such Lender shall not have made available to the Administrative Agent such Lender’s ratable portion of such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each sub agent and the Related Parties of the Administrative Agent and each such sub agent shall be entitled to the benefits of all provisions of this Article VII and Section 9.04 (as though such sub-agents were the “Administrative Agent” under this Agreement) as if set forth in full herein with respect thereto.

SECTION 7.06 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right (with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), to appoint a successor, which shall be a bank with an office in the United States or Tokyo, or an Affiliate of any such bank with an office in the United States or Tokyo. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders (and with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (ii) except for any indemnity payments owed to the retiring Administrative Agent, all payments, communications and determinations to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent (other than any rights to indemnity payments owed to the retiring Administrative Agent), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent’s resignation hereunder and under the other Loan Documents, the provisions of this Article VII and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 7.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any other Lender and their respective Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Advances hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any amendment thereof or any other Lender and their respective Related Parties and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its

Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder. Nothing in this Agreement shall oblige the Administrative Agent to conduct any “know your customer” or other procedures in relation to any Person or any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender, on behalf of any Lender and each Lender confirms to the Administrative Agent that it is solely responsible for any such procedures or check it is required to conduct and that it shall not rely on any statement in relation to such procedures or check made by the Administrative Agent.

SECTION 7.08 Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances made by each of them (or, if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, in each case, acting in the capacity of Administrative Agent; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent’s gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not promptly reimbursed for such expenses by the Borrower.

SECTION 7.09 Other Agents. None of the Lenders identified on the facing page or signature pages of this Agreement as an “arranger” or “book runner” shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE VIII

[RESERVED]

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc.

(a) Except as provided in Section 2.08(c), no amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for

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which given; provided, however, that no amendment, waiver or consent shall, unless in writing, do any of the following:

- (i) waive any of the conditions specified in Section 3.01, 3.02 or 3.03 unless signed by each Lender directly and adversely affected thereby;
- (ii) increase or extend the Commitments of a Lender or subject a Lender to any additional obligations, unless signed by such Lender;
- (iii) reduce the principal of, or stated rate of interest on, the Advances, the stated rate at which any fees hereunder are calculated or any other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Interest" or to waive any obligation of the Borrower to pay Default Interest (except that no amendment entered into pursuant to the terms of Section 2.08(c) shall constitute a reduction in the rate of interest or fees for purposes of this clause (ii));
- (iv) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby;
- (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, that, in each case, shall be required for the Lenders or any of them to take any action hereunder, unless signed by all Lenders; or
- (vi) amend this Section 9.01, unless signed by all Lenders.

and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement. Notwithstanding the foregoing, the Administrative Agent and the Borrower may amend any Loan Document to correct any errors, mistakes, omissions, defects or inconsistencies, or to effect administrative changes that are not adverse to any Lender, and such amendment shall become effective without any further consent of any other party to such Loan Document other than the Administrative Agent and the Borrower.

(b) [reserved].

(c) If, in connection with any proposed amendment, waiver or consent requiring the consent of "all Lenders," "each Lender" or "each Lender directly and adversely affected thereby," the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a "Non-Consenting Lender"), then the Borrower may elect to replace a Non-Consenting Lender as a Lender party to this Agreement; provided that, concurrently with such replacement, (i) another bank or other entity (which is reasonably satisfactory to the Borrower and the Administrative Agent) shall agree, as of such date, to purchase at par for cash the Advances and other obligations under the Loan Documents due to the Non-Consenting Lender pursuant to an Assignment and Acceptance and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date, and (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement all principal, interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower to and including the date of termination. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Acceptance executed by the Borrower, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Acceptance by reference pursuant to an

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approved electronic platform as to which the Administrative Agent and such parties are participants), and (b) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

SECTION 9.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be in writing (including telecopier) and mailed, telecopied or delivered, if to the Borrower or the Administrative Agent, to the address, telecopier number or if applicable, electronic mail address, specified for such Person on Schedule II; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed or telecopied, be effective three Business Days after being deposited in the mails, postage prepaid, or upon confirmation of receipt (except that if electronic confirmation of receipt is received at a time that the recipient is not open for business, the applicable notice or communication shall be effective at the opening of business on the next business day of the recipient), respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VII shall not be effective until received by the Administrative Agent. Delivery by telecopier or other electronic communication of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any

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liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any communication has been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement. Each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non- public information with respect to the Borrower or its securities for purposes of United States federal or state securities laws.

(e) If any notice required under this Agreement is permitted to be made, and is made, by telephone, actions taken or omitted to be taken in reliance thereon by the Administrative Agent or any Lender shall be binding upon the Borrower notwithstanding any inconsistency between the notice provided by telephone and any subsequent writing in confirmation thereof provided to the Administrative Agent or such Lender; provided that any such action taken or omitted to be taken by the Administrative Agent or such Lender shall have been in good faith and in accordance with the terms of this Agreement.

(f) With respect to notices and other communications hereunder from the Borrower to any Lender, the Borrower shall provide such notices and other communications to the Administrative Agent, and the Administrative Agent shall promptly deliver such notices and other communications to any such Lender in accordance with subsection (b) above or otherwise.

SECTION 9.03 No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

SECTION 9.04 Costs and Expenses. (a) The Borrower agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of each Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement and the other documents to be delivered hereunder, including, (i) due diligence expenses, syndication expenses, travel expenses and (ii) the reasonable and documented out-of-pocket fees, charges and expenses of a single primary counsel (and one local counsel in each relevant jurisdiction) for the Administrative Agent with respect thereto and with respect to advising the Agents as to their respective rights and responsibilities under this Agreement. The Borrower further agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of the Agents and the Lenders, if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder, including, without limitation,

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reasonable and documented out-of-pocket fees and expenses of a single primary counsel and an additional single local counsel in any relevant jurisdictions for the Agents and the Lenders and, solely in the case of an actual or perceived conflict of interest where the Agents notify the Borrower of the existence of such conflict in writing, one additional counsel, in connection with the enforcement of rights under this Agreement.

(b) The Borrower agrees to indemnify and hold harmless each Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against any and all claims, damages, losses, penalties, liabilities and expenses (provided, that, the Borrower’s obligations to the Indemnified Parties in respect of fees and expenses of counsel shall be limited to the reasonable and documented out-of-pocket fees and expenses of one primary counsel for all Indemnified Parties, taken together, (and, if reasonably necessary, one local counsel in any relevant jurisdiction) and, solely in the case of an actual or potential conflict of interest of which the Borrower is notified in writing, of one additional counsel for all Indemnified Parties, taken together (and, if reasonably necessary, one local counsel in any relevant jurisdiction) (all such claims, damages, losses, penalties, liabilities and reasonable expenses being, collectively, the “Losses”) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) this Agreement, any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence or release of Hazardous Materials on any property of the Consolidated Group or any Environmental Action relating in any way to the Consolidated Group, in each case whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent Losses (A) are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnified Party or any of its Related Indemnified Parties (including any breach of its obligations under this Agreement), (B) result from any dispute between an Indemnified Party and one or more other Indemnified Parties (other than against an Agent or Arranger acting in such a role) or (C) result from the claims of one or more Lenders solely against one or more other Lenders (and not claims by one or more Lenders against any Agent acting in its capacity as such except, in the case of Losses incurred by any Agent or any Lender as a result of such claims, to the extent such Losses are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement)) not attributable to any actions of a member of the Consolidated Group and for which the members of the Consolidated Group otherwise have no liability. The Borrower further agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its shareholders or creditors for or in connection with this Agreement or any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advances, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement). In no event, however, shall any Indemnified Party or the Borrower be liable on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings); provided that nothing in this sentence shall limit the Borrower’s indemnity and reimbursement obligations to the extent that such special, indirect, consequential or punitive damages are included in any claim by a third party unaffiliated with any of the Indemnified Parties with respect to which the applicable Indemnified Party is entitled to indemnification as set forth in the immediately preceding sentence. As used above, a “Related Indemnified Party” of an Indemnified Party means (1) any Controlling Person or Controlled Affiliate of such Indemnified Party, (2) the respective directors, officers, or employees of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates and (3) the respective agents, advisors or representatives of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, Controlling Person or Controlled Affiliate; provided that each

reference to a Controlling Person, Controlled Affiliate, director, officer or employee in this sentence pertains to a Controlling Person, Controlled Affiliate, director, officer or employee involved in the structuring, arrangement, negotiation or syndication of the Bridge Facility and this Agreement. Notwithstanding the foregoing, this section 9.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.06, 2.08(b), 2.08(c), 2.10 or 2.12, (ii) acceleration of the maturity of the Advances pursuant to Section 6.01, (iii) a payment by an Eligible Assignee to any Lender other than on the last day of the Interest Period for such Advance upon an assignment of the rights and obligations of such Lender under this Agreement pursuant to Section 9.07 as a result of a demand by the Borrower pursuant to Section 9.07(a) or (iv) for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional reasonable losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or exchange in the case of Section 2.08 or 2.12, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder.

SECTION 9.05 Right of Setoff. Subject to Section 3.04, upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application is made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 9.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 9.06 Binding Effect. This Agreement shall become effective upon the satisfaction (or waiver in accordance with Section 9.01) of the conditions set forth in Section 3.01 and, thereafter, shall be binding upon and inure to the benefit of, and be enforceable by, the Borrower, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that the Borrower shall have no right to assign their rights hereunder or any interest herein without the prior written consent of the Lenders, and any purported assignment without such consent shall be null and void.

SECTION 9.07 Assignments and Participations. (a) Each Lender may, with the consent of the Borrower and the Administrative Agent, which consents shall not be unreasonably withheld or delayed (it being agreed that notwithstanding anything herein, including the proviso set forth below, during the Certain Funds Period the Borrower may withhold such consent in its sole discretion unless a Certain Funds Default is continuing) and, in the case of the Borrower, (A) shall not be required while an Event of Default (or during the

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Certain Funds Period a Certain Funds Default) has occurred and is continuing and (B) shall be deemed given if the Borrower shall not have objected within 10 Business Days following its receipt of notice of such assignment (and, within five days after demand by the Borrower (with a copy of such demand to the Administrative Agent) to (i) any Defaulting Lender, (ii) any Lender that has made a demand for payment pursuant to Section 2.11 or 2.14, (iii) any Lender that has asserted pursuant to Section 2.08(b) or 2.12 that it is impracticable or unlawful for such Lender to make Eurocurrency Rate Advances or (iv) any Lender that fails to consent to an amendment or waiver hereunder for which consent of all Lenders (or all affected Lenders) is required and as to which the Required Lenders shall have given their consent, such Lender will), assign to one or more Persons (other than natural persons) all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it); provided, however, that:

(A) such consent shall not be required in the case of an assignment to any other Lender or an Affiliate of any Lender, provided that (i) notice thereof shall have been given to the Borrower and the Administrative Agent and (ii) solely with respect to assignments during the Certain Funds Period, such Affiliate has a rating for its long term unsecured and non-credit enhanced debt obligations which is not less than that of the relevant assigning Lender;

(B) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(C) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$25,000,000 or an integral multiple of \$5,000,000 in excess thereof;

(D) each such assignment shall be to an Eligible Assignee;

(E) each such assignment made as a result of a demand by the Borrower pursuant to this Section 9.07(a) shall be arranged by the Borrower with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that, in the aggregate, cover all of the rights and obligations of the assigning Lender under this Agreement;

(F) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a), (1) so long as a Default shall have occurred and be continuing and (2) unless and until such Lender shall have received one or more payments from one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount, and from the Borrower or one or more Eligible Assignees in an aggregate amount equal to all other amounts accrued to such Lender under this Agreement (including, without limitation, any amounts owing under Sections 2.11, 2.14 or 9.04(c)) and (3) unless and until the Borrower shall have paid (or caused to be paid) to the Administrative Agent a processing and recordation fee of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(G) the parties to each such assignment (other than, except in the case of a demand by the Borrower pursuant to this Section 9.07(a), the Borrower) shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance and, if such assignment does not occur as a result of a demand by the Borrower pursuant to this Section 9.07(a) (in which case the Borrower shall pay the fee required by subclause (F)(3) of this Section 9.07(a)), a processing and recordation fee of

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\$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement, except that such assigning Lender shall continue to be entitled to the benefit of Section 9.04(a) and (b) with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon any Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof

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to the Borrower; provided that the Administrative Agent shall only be required to execute any such Assignment and Acceptance once it has satisfied and complied with all necessary “know your customer” or similar checks under all applicable laws and regulations in relation to the proposed assignment to the assignee.

(d) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at its address as set forth on Schedule II a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount (and stated interest) of the Advances owing to, each Lender from time to time (the “Register”). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders shall treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates or any natural person) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it) without the consent of the Administrative Agent or the Borrower; provided, however, that:

(i) such Lender’s obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) such Lender shall remain the Lender of any such Advance for all purposes of this Agreement;

(iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement; and

(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by the Borrower herefrom or therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or stated rate of interest on, the Advances or the stated rate at which any fees or any other amounts payable hereunder are calculated, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or any other amounts payable hereunder, in each case to the extent subject to such participation.

Each Lender shall promptly notify the Borrower after any sale of a participation by such Lender pursuant to this Section 9.07(e); provided that the failure of such Lender to give notice to the Borrower as provided herein shall not affect the validity of such participation or impose any obligations on such Lender or the applicable participant.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant’s interest in the Advances or other obligations under the Loan Documents (the “Participant Register”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant’s interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Treasury Regulations Section 5f.103-1(c) and Proposed Treasury Regulations 1.163-5(b) (or any amended or successor version). The

entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

The Borrower agrees that each participant shall be entitled to the benefits of Sections 2.11, 2.14 and 9.04(c) (subject to the requirements and limitations therein, including the requirements under Section 2.14(f) (it being understood that the documentation required under Section 2.14(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such participant (A) agrees to be subject to the provisions of Section 2.20 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.11 or 2.14, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from the occurrence, after the participant acquired the applicable participation, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty or (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Information relating to the Borrower received by it from such Lender as more fully set forth in Section 9.08.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation and the Advances owing to it) to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations in favor of any Federal Reserve Bank in accordance with Regulation A of the Board or any central bank having jurisdiction over such Lender.

SECTION 9.08 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (provided that the Administrative Agent or such Lender, as applicable, agrees that it will, to the extent practicable and other than with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority, notify the Borrower promptly thereof, unless such notification is prohibited by law, rule or regulation), (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, (iv) the CUSIP Service Bureau or any similar organization or (v) any Person to whom or for whose

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benefit such Lender has created a security interest in all or any portion of its rights under this Agreement pursuant to Section 9.07(g), (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower. Each Lender acknowledges that its ability to disclose information concerning the Transactions is restricted by the City Code and the Panel and that Section 9.08 is subject to those restrictions.

For purposes of this Section, “Information” means this Agreement and the other Loan Documents and all information received from the Consolidated Group relating to the Consolidated Group or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by the Consolidated Group and other than information pertaining to this Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.09 Debt Syndication during the Certain Funds Period. Each of the Lenders and the Administrative Agent confirms that it is aware of the terms and requirements of Practice Statement No. 25 (Debt Syndication during Offer Periods) issued by the Panel.

SECTION 9.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or in a .pdf or similar file shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12 Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, located in the Borough of Manhattan (or if such court lacks subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough of Manhattan), and any appellate court from any such court, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in any such New York State court or, to the extent permitted by law, in any such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.02. The Borrower irrevocably designates and appoints the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its

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authorized agent, to accept and acknowledge on its behalf, service of any and all process which may be served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City. Said designation and appointment shall be irrevocable by the Borrower. The Borrower hereby consents to process being served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City by service of process upon the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as provided in this Section 9.12(c); provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Service of Process Agent, and to the Borrower (with a copy thereof to the Service of Process Agent) at the address specified for such Person on Schedule II or at such other address as shall be designated by such party in a written notice to the Administrative Agent. The Borrower irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon the Borrower in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to the Borrower. To the extent the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of a judgment, execution or otherwise), the Borrower hereby irrevocably waives such immunity in respect of its obligations under the Loan Documents. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.13 Patriot Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lenders in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

SECTION 9.14 No Advisory or Fiduciary Responsibility. The Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Credit Party will have any obligations except those obligations expressly set forth herein and in the other Loan Documents and each Credit Party is acting solely in the capacity of an arm's length contractual counterparty to the Borrower with respect to the Loan Documents and the transaction contemplated therein and not as a financial advisor or a fiduciary to, or an agent of, the Borrower or any other person. The Borrower agrees that it will not assert any claim against any Credit Party based on an alleged breach of fiduciary duty by such Credit Party in connection with this Agreement and the transactions contemplated hereby. Additionally, the Borrower acknowledges and agrees that no Credit Party is advising the Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Credit Parties shall have no responsibility or liability to the Borrower with respect thereto.

The Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party, together with its Affiliates, is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, the Borrower and other companies with which the Borrower may have commercial or other relationships. With respect to any securities and/or financial

instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

In addition, the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from the Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Borrower in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. The Borrower also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to the Borrower, confidential information obtained from other companies.

SECTION 9.15 Waiver of Jury Trial. Each of the Borrower, the Administrative Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

SECTION 9.16 Conversion of Currencies. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section 9.16 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or

otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

- (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

SECTION 9.18 Certain ERISA Matters.

- (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:
 - (i) such Lender is not using “plan assets” (within the meaning of Plan Asset Regulations) of one or more Benefit Plans in connection with the Commitments or Advances;
 - (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Advances, the Commitments and this Agreement, and the conditions for exemptive relief thereunder are and will continue to be satisfied in connection therewith,
 - (iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Commitments, the Advances and this Agreement, (C) the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement; or
 - (iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.
- (b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or if such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that:
 - (i) none of the Administrative Agent or the Arrangers or their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),

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- (ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),
 - (iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies,
 - (iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advances and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Commitments, the Advances and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and
 - (v) no fee or other compensation is being paid directly to the Administrative Agent or any Arranger or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Commitments, the Advances or this Agreement.
- (c) The Administrative Agent and each Arranger hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Commitments, the Advances and this Agreement, (ii) may recognize a gain if it extended the Commitments or the Advances for an amount less than the amount being paid for an interest in the Commitments or the Advances by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.
- (d) The representations in this Section 9.18 are intended to comply with United States Department of Labor Regulations codified at 29 C.F.R. § 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). To the extent these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

SECTION 9.19 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Advance, together with all fees, charges and other amounts which are treated as interest on such Advance under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Advance in accordance with applicable law, the rate of interest payable in respect of such Advance hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Advance but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Advances or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Cost of Funds Rate to the date of repayment, shall have been received by such Lender. Notwithstanding the forgoing, if the Lender shall have

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received interest and/or Charges in an amount that exceeds the Maximum Rate, the excess interest and Charges shall be (i) applied to the principal of such Advance, (ii) if it exceeds such unpaid principal of such Advance, applied to the principal of other Advances held by such Lender, or (iii) if it exceeds such unpaid principal of other Advances, refunded to the Borrower. The Borrower represents and warrants to the Lenders that, as of the date of this Agreement, it falls into Article 2, Paragraph 1, Item 1 of the Act on Specified Commitment Line Contract (Act No. 4 of 1999).

SECTION 9.20 English Language.

- (a) Save where this Agreement expressly provides to the contrary, any notice given under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) in any other language required in respect of such notice by applicable law and accompanied by a certified English translation at the cost of the Borrower, which English translation will prevail in all circumstances.
- (b) All other documents provided under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Administrative Agent, accompanied by a certified English translation at the cost of the Borrower and, in this case, the English translation will prevail in all circumstances unless the document is a constitutional, statutory or other official document.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED, as Borrower

By: /s/ Costa Saroukos

Name: Costa Saroukos

Title: Chief Financial Officer

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JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Takasuke Sekine _____

Name: Takasuke Sekine
Title: Managing Director

JPMORGAN CHASE BANK, N.A., TOKYO
BRANCH, as a Lender

By: /s/ Takasuke Sekine _____

Name: Takasuke Sekine
Title: Managing Director

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SUMITOMO MITSUI BANKING
CORPORATION, as a Lender

By: /s/ Makoto Takashima _____

Name: Makoto Takashima

Title: Representative Director

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MUFG BANK, LTD., as a Lender

By: /s/ Kanetsugu Mike

Name: Kanetsugu Mike

Title: Representative of the Board of Directors

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MIZUHO BANK, LTD, as a Lender

By: /s/ Taku Ishikawa

Name: Taku Ishikawa

Title: General Manager

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THE NORINCHUKIN BANK, as a Lender

By: /s/ Hiroshi Kamikawa _____

Name: Hiroshi Kamikawa

Title: General Manager

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BANK OF AMERICA, N.A., TOKYO BRANCH,
as a Lender

By: /s/ Miwa Ohmori _____

Name: Miwa Ohmori

Title: Representative in Japan

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BARCLAYS BANK PLC, TOKYO BRANCH,
as a Lender

By: /s/ Akio Kashima _____

Name: Akio Kashima

Title: Representative in Japan

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BNP PARIBAS (ACTING THROUGH ITS TOKYO
BRANCH), as a Lender

By: /s/ Nicolas Pillet _____

Name: Nicolas Pillet

Title: Representative in Japan

By: /s/ Kimiyasu Nishino _____

Name: Kimiyasu Nishino

Title: Managing Director

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SUMITOMO MITSUI TRUST BANK, LIMITED,
as a Lender

By: /s/ Shigenori Ikemura

Name: Shigenori Ikemura

Title: Executive Officer General Manager

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THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED, TOKYO BRANCH,
as a Lender

By: /s/ Oliver Pacton _____

Name: Oliver Pacton

Title: President and Chief Executive Officer
Japan

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NOMURA CAPITAL INVESTMENT CO, LTD,
as a Lender

By: /s/ Masahiro Goto

Name: Masahiro Goto

Title: President

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.,
TOKYO BRANCH, as a Lender

By: /s/ Michio Ryu

Name: Michio Ryu

Title: General Manager

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BANK OF CHINA LIMITED, TOKYO BRANCH,
as a Lender

By: /s/ Fan Liping _____

Name: Fan Liping

Title: Deputy General Manager

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COMMERZBANK AG TOKYO BRANCH,
as a Lender

By: /s/ Andrea Console

Name: Andrea Console

Title: Country CEO Japan

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CRÈDIT AGRICOLE CORPORATE AND
INVESTMENT BANK, TOKYO BRANCH,
as a Lender

By: /s/ Antoine Sirgi

Name: Antoine Sirgi

Title: Senior Country Officer

By: /s/ Satoshi Oda

Name: Satoshi Oda

Title: Managing Director

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DBS BANK LTD., TOKYO BRANCH, as a Lender

By: /s/ Takako Furuhashi _____

Name: Takako Furuhashi

Title: Branch Manager

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ING BANK N.V., TOKYO BRANCH, as a Lender

By: /s/ Tetsuo Hoshiya

Name: Tetsuo Hoshiya

Title: Representative in Japan

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INTESA SANPAOLO S.P.A. TOKYO BRANCH,
as a Lender

By: /s/ Roberto Bisagno _____

Name: Roberto Bisagno

Title: Representative in Japan

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SOCIÉTÈ GÈNÈRALE, TOKYO BRANCH,
as a Lender

By: /s/ Kanta Murata _____

Name: Kanta Murata

Title: Deputy Branch Manager

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STANDARD CHARTERED BANK, TOKYO
BRANCH, as a Lender

By: /s/ Hidekatsu Takamatsu _____

Name: Hidekatsu Takamatsu

Title: Director

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WELLS FARGO BANK, NATIONAL
ASSOCIATION (ACTING THROUGH ITS
SINGAPORE BRANCH), as a Lender

By: /s/ James Chuin Chai Chie

Name: James Chuin Chai Chie

Title: Director

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THE BANK OF NEW YORK MELLON, TOKYO
BRANCH, as a Lender

By: /s/ J. David Cruikshank _____

Name: J. David Cruikshank
Title: Chairman, Asia Pacific

SCHEDULE I
 COMMITMENTS

<u>LENDER</u>	<u>COMMITMENTS</u>
JPMORGAN CHASE BANK, N.A., TOKYO BRANCH	\$600,000,000.00
SUMITOMO MITSUI BANKING CORPORATION	\$900,000,000.00
MUFG BANK, LTD.	\$900,000,000.00
MIZUHO BANK, LTD	\$750,000,000.00
THE NORINCHUKIN BANK	\$750,000,000.00
BANK OF AMERICA, N.A., TOKYO BRANCH	\$543,750,000.00
BARCLAYS BANK PLC, TOKYO BRANCH	\$356,250,000.00
BNP PARIBAS (ACTING THROUGH ITS TOKYO BRANCH)	\$356,250,000.00
SUMITOMO MITSUI TRUST BANK, LIMITED	\$356,250,000.00
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, TOKYO BRANCH	\$356,250,000.00
NOMURA CAPITAL INVESTMENT CO, LTD	\$225,000,000.00
BANCO BILBAO VIZCAYA ARGENTARIA, S.A., TOKYO BRANCH	\$127,840,909.09
BANK OF CHINA LIMITED, TOKYO BRANCH	\$127,840,909.09
COMMERZBANK AG TOKYO BRANCH	\$127,840,909.09
CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, TOKYO BRANCH	\$127,840,909.09
DBS BANK LTD., TOKYO BRANCH	\$127,840,909.09
ING BANK N.V., TOKYO BRANCH	\$127,840,909.09
INTESA SANPAOLO S.P.A. TOKYO BRANCH	\$127,840,909.09
SOCIÉTÈ GÈNÈRALE, TOKYO BRANCH	\$127,840,909.09
STANDARD CHARTERED BANK, TOKYO BRANCH	\$127,840,909.09
WELLS FARGO BANK, NATIONAL ASSOCIATION (ACTING THROUGH ITS SINGAPORE BRANCH)	\$127,840,909.09
THE BANK OF NEW YORK MELLON, TOKYO BRANCH	\$127,840,909.10
AGGREGATE COMMITMENTS	\$ 7,500,000,000

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SCHEDULE II

ADMINISTRATIVE AGENT'S OFFICE; CERTAIN ADDRESSES FOR NOTICE

BORROWER:

Takeda Pharmaceutical Company Limited
Corporate Finance Department
12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-8668 Japan
Attention: Chief Financial Officer
Telephone: 03-3278-2284
Facsimile: 03-3278-2198

cc:

Takeda Pharmaceutical Company Limited
One Takeda Parkway
Deerfield, IL 60015
Attention: General Counsel
Facsimile No.: (224) 554-7831

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ADMINISTRATIVE AGENT:

In the case of requests for Borrowings and other notices

JPMorgan Chase Bank, N.A.

Tokyo Building

7-3, Marunouchi 2-chome, Chiyoda-ku,

Tokyo 100-6432

Attention: Loan Agency Tokyo Branch

Facsimile: +81-3-6388-2534

E-Mail: loan.agency.tokyo.branch@jpmorgan.com

EXHIBIT A

FORM OF NOTICE OF BORROWING

JPMorgan Chase Bank, N.A.,
as Administrative Agent

JPMorgan Chase Bank, N.A.
Tokyo Building
7-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-6432
Attention: Loan Agency Tokyo Branch
Facsimile: +81-3-6388-2534

[Date]

Ladies and Gentlemen:

Reference is hereby made to the Term Loan Credit Agreement dated as of June 8, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Takeda Pharmaceutical Company Limited (the “Borrower”), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Administrative Agent”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement. This notice constitutes a Notice of Borrowing and the Borrower hereby requests an Advance under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Advance requested hereby:

1. Principal amount of Advance: _____
2. Date of Advance (which is a Business Day): _____
3. Currency of Advance: _____
4. [Interest Period!] _____
5. Location and number of the Borrower’s account to which proceeds of Advance are to be disbursed: _____

I, [____], hereby certify that I am the duly elected, qualified and acting [____] of the Borrower, and that, as such, I am authorized to execute and deliver this certificate on behalf of the Borrower. I further certify that, as of the date hereof, (x) no Certain Funds Default is continuing or would result from the borrowing requested herein and (y) all the Certain Funds Representations are true, or, if a Certain Funds Representation does not include a materiality construct, true in all material respects.

[Signature Page Follows]

¹ Applicable only in case of a Eurocurrency Rate Advance; if included, must comply with the definition of “Interest Period” and end not later than the Maturity Date.

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IN WITNESS WHEREOF, the undersigned has caused this Notice of Borrowing to be executed and delivered as of the date first above written.

Very truly yours,

TAKEDA PHARMACEUTICAL COMPANY
LIMITED, as the Borrower

By: _____

Name:

Title:

EXHIBIT B

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the “Assignment and Acceptance”) is dated as of the Assignment Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “Assignor”) and [*Insert name of Assignee*] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Assignment Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate of [identify Lender]²]
3. Borrower: Takeda Pharmaceutical Company Limited
4. Administrative Agent: JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement: The Term Loan Credit Agreement dated as of June 8, 2018 among Takeda Pharmaceutical Company Limited, as borrower, the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent
6. Assigned Interest:

² Select as applicable.

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Aggregate Amount of Commitment/Advances for all Lenders	Amount of Commitment/Advances Assigned	Percentage Assigned of Commitment/Advances ³
[\$/€]	[\$/€]	%
[\$/€]	[\$/€]	%
[\$/€]	[\$/€]	%

Assignment Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE ASSIGNMENT DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including U.S. Federal and state securities laws.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____

Name:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____

Name:

Title:

[Consented to and]⁴ Accepted:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: _____

Name:

Title:

[Consented to:]⁵

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By: _____

Name:

Title:

³ Set forth, to at least 9 decimals, as a percentage of the Commitment/Advances of all Lenders thereunder.

⁴ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁵ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Assignment Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, any Arranger or any other Lender and their respective Related Parties, and (vi) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; (b) makes for itself as of the date hereof rather than the Effective Date, the representation and warranty concerning each Lender set forth in Section 9.18 of the Credit Agreement and (c) agrees that (i) it will, independently and without reliance on the Administrative Agent, any Arranger, the Assignor or any other Lender and their respective Related Parties, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

2. Payments. From and after the Assignment Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Assignment Date and to the Assignee for amounts which have accrued from and after the Assignment Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Acceptance and adoption

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of the terms of this Assignment and Acceptance by the Assignee and the Assignor by Electronic Signature or delivery of an executed counterpart of a signature page of this Assignment and Acceptance by any Electronic System shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

JPMorgan Chase Bank, N.A.
Tokyo Building
7-3, Marunouchi 2-chome, Chiyoda-ku,
Tokyo 100-6432
Attention: Loan Agency Tokyo Branch
Facsimile: +81-3-6388-2534

[Date]

Ladies and Gentlemen:

Reference is hereby made to the Term Loan Credit Agreement dated as of June 8, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Takeda Pharmaceutical Company Limited (the “Borrower”), the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Administrative Agent”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned is the [**Chief Executive Officer / Chief Financial Officer / Treasurer**] of the Borrower (the “Authorized Officer”) and, as such, the undersigned is authorized to execute and deliver this Compliance Certificate to the Administrative Agent on behalf of the Borrower in accordance with Section 5.01(i)(iii) of the Credit Agreement. The Authorized Officer hereby certifies as follows, in his/her capacity as an officer of the Borrower and not in his/her individual capacity:

1. I have reviewed the terms of the Credit Agreement and I have made, or caused to be made under my supervision, a review in reasonable detail of the transactions and conditions of the Consolidated Group during the accounting period covered by the financial statements attached hereto as Annex I [**for quarterly financial statements add:** and such financial statements have been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments)]; [and]
2. The examinations described in paragraph 1 did not disclose[, except as set forth below], and I have no knowledge of the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate; [and]
 - a. [**Please specify in reasonable detail each condition or event which constitutes a Default or Event of Default and any action taken or proposed to be taken with respect thereto**]; [and]
3. [The Borrower is in compliance with the Consolidated Net Debt to Consolidated EBITDA covenant contained in Section 5.03 of the Credit Agreement as shown in the calculations attached hereto as Annex II.]

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ANNEX I

FINANCIAL STATEMENTS FOR PERIOD ENDING [_____]

[To be attached.]

ANNEX II

CONFORMED COPY

CALCULATION OF CONSOLIDATED NET DEBT TO CONSOLIDATED EBITDA RATIO

[To be attached.]

AMENDMENT NO. 2

Dated as of October 26, 2018

to

364-DAY BRIDGE CREDIT AGREEMENT

Dated as of May 8, 2018

THIS AMENDMENT NO. 2 (this “Amendment”) is made as of October 26, 2018 by and among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan, (the “Company”), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the “Administrative Agent”), under that certain 364-Day Bridge Credit Agreement dated as of May 8, 2018 by and among the Company, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement;

WHEREAS, the Company, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Credit Agreement. Effective as of the Amendment No. 2 Effective Date (as defined below), the parties hereto agree that the Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended to add the following definitions thereto in the appropriate alphabetical order:

“Japanese Senior Short-Term Loan Facility Agreement” means that certain Senior Short-Term Loan Facility Agreement dated as of October 26, 2018 (as in effect on such date and without giving effect to any subsequent amendments, waivers or modifications thereto), by and among the Borrower, Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., as lead arrangers, Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, as arrangers and the lenders party thereto, providing for a term loan facility which on its terms shall automatically mature upon the earlier of (i) the term of such loan facility, which shall be a period of one, two, three or six months as selected by the Borrower in the relevant notice of borrowing; or, (ii) the date on which such loan facility is actually and fully repaid with proceeds of the Japanese Hybrid Loan Facility Agreement or any hybrid notes (other than hybrid notes issued in a currency other than Japanese Yen) or otherwise in accordance with Section 2.06(a) thereof.

“Japanese Hybrid Loan Facility Agreement” means that certain Subordinated Syndicated Loan Agreement dated as of October 26, 2018 (as in effect on such date and without giving effect to any subsequent amendments, waivers or modifications thereto), by and among the Borrower, Sumitomo Mitsui Banking

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Corporation and MUFG Bank, Ltd., as lead arrangers, Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, as arrangers and the lenders party thereto, providing for a 60-year hybrid loan facility.

(b) The penultimate paragraph appearing in Section 2.05(d) of the Credit Agreement is hereby amended to add the following proviso immediately prior to the period appearing at the end of the first sentence appearing therein:

“; provided that (i) notwithstanding the foregoing, mandatory prepayments or Commitment reductions in respect of any commitments, loans and advances under the Japanese Senior Short-Term Loan Facility Agreement shall be applied in accordance with clause (b) of this paragraph and (ii) for the avoidance of doubt, the credit facility under the Japanese Senior Short-Term Loan Facility Agreement constitutes a “Qualifying Committed Financing” hereunder”

(c) Section 5.01(i) of the Credit Agreement is hereby amended to add the following Subparagraphs (vii) and (viii) and to renumber Subparagraph (vii) to Subparagraph (ix):

“(vii) promptly after the entry into by the Borrower or any of its Subsidiaries of any transaction documents in respect of any hybrid notes (other than any hybrid notes to be issued in a currency other than Japanese Yen and any hybrid notes that are not identified by the Borrower to be used for Certain Funds Purposes) to be issued before drawdown of the loan facility under the Japanese Senior Short-Term Loan Facility Agreement, evidence that the Japanese Senior Short-Term Loan Facility Agreement has been cancelled by the incurrence of hybrid indebtedness pursuant to such hybrid notes;

(viii) promptly after the submission of a drawdown notice under the Japanese Hybrid Loan Facility Agreement or the entry into transaction documents in respect of any hybrid notes (other than any hybrid notes to be issued in a currency other than Japanese Yen) after a drawdown of the loan facility under the Japanese Senior Short-Term Loan Facility Agreement, evidence that the Japanese Senior Short-Term Loan Facility Agreement has been prepaid using the proceeds of the Japanese Hybrid Loan Facility Agreement or such hybrid notes; and”

2. Conditions of Effectiveness. The effectiveness of this Amendment (the “Amendment No. 2 Effective Date”) is subject to the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this Amendment duly executed by the Company and the Required Lenders.

(b) The Administrative Agent shall have received payment of the Administrative Agent’s and its affiliates’ fees and reasonable out-of-pocket expenses (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent) in connection with the Loan Documents to the extent invoiced at least one (1) Business Day prior to the Amendment No. 2 Effective Date.

3. Representations and Warranties of the Company. The Company hereby represents and warrants that this Amendment has been duly executed and delivered by the Company. This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the Amendment No. 2 Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import, and each reference to the Credit Agreement in any other Loan Document shall be deemed a reference to the Credit Agreement as amended hereby.

(b) Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except with respect to the subject matter hereof or otherwise confirmed specifically in writing, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, the Lenders or the Borrower, nor constitute a waiver thereby of any provision of the Credit Agreement, the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith, which shall remain unchanged and binding on such parties.

(d) This Amendment is a Loan Document under (and as defined in) the Credit Agreement.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

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IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED,
as the Company

By: /s/ Costa Saroukos

Name: Costa Saroukos

Title: Chief Financial Officer

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JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

By: /s/ Takasuke Sekine _____

Name: Takasuke Sekine
Title: Managing Director

JPMORGAN CHASE BANK, N.A., TOKYO
BRANCH, as a Lender

By: /s/ Takasuke Sekine _____

Name: Takasuke Sekine
Title: Managing Director

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SUMITOMO MITSUI BANKING CORPORATION,
as a Lender

By: /s/ Makoto Takashima

Name: Makoto Takashima

Title: Representative Director

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MUFG BANK, LTD., as a Lender

By: /s/ Ichiro Numajima

Name: Ichiro Numajima

Title: Executive Officer

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MIZUHO BANK, LTD, as a Lender

By: /s/ Taku Ishikawa

Name: Taku Ishikawa

Title: General Manager

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THE NORINCHUKIN BANK, as a Lender

By: /s/ Hiroshi Kamikawa

Name: Hiroshi Kamikawa

Title: General Manager

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BANK OF AMERICA, N.A., TOKYO BRANCH,
as a Lender

By: /s/ Miwa Ohmori _____

Name: Miwa Ohmori

Title: Representative in Japan

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BARCLAYS BANK PLC, TOKYO BRANCH, as a
Lender

By: /s/ Akio Kashima _____

Name: Akio Kashima

Title: Representative in Japan

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BNP PARIBAS (ACTING THROUGH ITS TOKYO
BRANCH) , as a Lender

By: /s/ Nicolas Pillet

Name: Nicolas Pillet

Title: Representative in Japan

By: /s/ Tatsuhisa Ishikawa

Name: Tatsuhisa Ishikawa

Title: Deputy General Manager

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SUMITOMO MITSUI TRUST BANK, LIMITED,
as a Lender

By: /s/ Shigenori Ikemura

Name: Shigenori Ikemura

Title: Executive Officer General Manager

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THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED, TOKYO BRANCH,
as a Lender

By: /s/ Olivier Pacton _____

Name: Olivier Pacton

Title: President and Chief Executive Officer
Japan

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NOMURA CAPITAL INVESTMENT CO, LTD,
as a Lender

By: /s/ Masahiro Goto

Name: Masahiro Goto

Title: President and Chief Executive Officer

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.,
TOKYO BRANCH, as a Lender

By: /s/ Michio Ryu

Name: Michio Ryu

Title: General Manager

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BANK OF CHINA LIMITED, TOKYO BRANCH,
as a Lender

By: /s/ Zhao Haiqing _____

Name: Zhao Haiqing

Title: Deputy General Manager

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COMMERZBANK AG TOKYO BRANCH, as a
Lender

By: /s/ Andrea Console
Name: Andrea Console
Title: Country CEO Japan

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CRÈDIT AGRICOLE CORPORATE AND
INVESTMENT BANK, TOKYO BRANCH, as a
Lender

By: /s/ Antoine Sirgi

Name: Antoine Sirgi

Title: Senior Country Officer

By: /s/ Satoshi Oda

Name: Satoshi Oda

Title: Managing Director

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DBS BANK LTD., TOKYO BRANCH, as a Lender

By: /s/ Takako Furuhashi _____

Name: Takako Furuhashi

Title: Branch Manager

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ING BANK N.V., TOKYO BRANCH, as a Lender

By: /s/ Katsuhiko Kado _____

Name: Katsuhiko Kado

Title: Director

By: /s/ Yuichi Hirasawa _____

Name: Yuichi Hirasawa

Title: Director

CONFORMED COPY

INTESA SANPAOLO S.P.A. TOKYO BRANCH,
as a Lender

By: /s/ Roberto Bisagno _____

Name: Roberto Bisagno

Title: General Manager

CONFORMED COPY

SOCIÉTÈ GÈNÈRALE, TOKYO BRANCH, as a
Lender

By: /s/ Kanta Murata _____

Name: Kanta Murata

Title: Deputy Branch Manager

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STANDARD CHARTERED BANK, TOKYO
BRANCH, as a Lender

By: /s/ Sho Takeuchi _____

Name: Sho Takeuchi

Title: Associate Director

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WELLS FARGO BANK, NATIONAL
ASSOCIATION (ACTING THROUGH ITS
SINGAPORE BRANCH), as a Lender

By: /s/ James Chiun Chai Chie

Name: James Chiun Chai Chie

Title: Director

500,000,000,000 Yen

SENIOR SHORT-TERM LOAN FACILITY AGREEMENT

Dated as of October 26, 2018

among

TAKEDA PHARMACEUTICAL COMPANY LIMITED,
as Borrower,

VARIOUS FINANCIAL INSTITUTIONS,
as Lenders,

and

SUMITOMO MITSUI BANKING CORPORATION,
as Administrative Agent

SUMITOMO MITSUI BANKING CORPORATION and MUFG BANK, LTD,
as Lead Arrangers and Bookrunners

and

MIZUHO BANK, LTD,
as Arranger and Bookrunner

and

THE NORINCHUKIN BANK and SUMITOMO MITSUI TRUST BANK, LIMITED,
as Arrangers

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SENIOR SHORT TERM LOAN FACILITY AGREEMENT

This Senior Short-Term Loan Facility Agreement (this “Agreement”) dated as of October 26, 2018 is among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan (the “Borrower”), the Lenders (as defined below) that are parties hereto, and Sumitomo Mitsui Banking Corporation, as Administrative Agent (as defined below) for the Lenders.

RECITALS

WHEREAS, the Borrower intends to directly or indirectly acquire (the “Target Acquisition”) pursuant to the Offer Documents or Scheme Documents, as applicable (each as defined below) all of the outstanding shares of the Target which are subject to the Scheme or Takeover Offer (as the case may be), which acquisition will be effected pursuant to a Scheme or a Takeover Offer (each as defined below).

WHEREAS, in connection with the Target Acquisition, the Borrower has requested that the Lenders extend credit to the Borrower in the form of term loans in an aggregate principal amount not to exceed 500,000,000,000 Yen with the proceeds to be applied towards the Certain Funds Purposes (as defined below).

IN CONSIDERATION THEREOF the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Acceptance Condition” means, in respect of a Takeover Offer, the condition to the Takeover Offer with respect to the number of acceptances to the Takeover Offer which must be secured to declare the Takeover Offer unconditional as to acceptances (as set out in the Offer Press Announcement).

“Acquisition” means any acquisition (whether by purchase, merger, consolidation or otherwise) or series of related acquisitions by the Parent or any Subsidiary after the Effective Date of (i) at least a majority of the assets of (or at least a majority of the assets constituting a business unit, division, product line or line of business of) any Person, or (ii) at least the majority of the Equity Interests in a Person or division or line of business of a Person.

“Administrative Agent” means Sumitomo Mitsui Banking Corporation (including its branches and affiliates), in its capacity as administrative agent for the Lenders hereunder, together with any successor thereto appointed pursuant to Article VII, the “Administrative Agent”.

“Administrative Agent’s Office” means the Administrative Agent’s address as set forth on Schedule II, or such other address as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an administrative questionnaire in the form supplied by the Administrative Agent.

“Advance” means the advance by a Lender pursuant to its Commitment to the Borrower as part of the Borrowing.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

“Agent Parties” has the meaning set forth in Section 9.02(b).

“Agents” means, collectively, the Administrative Agent, the Lead Arrangers and the Arranger.

“Agreement” has the meaning set forth in the introduction hereto.

“Agreement Currency” has the meaning set forth in Section 9.16.

“Agreement Value” means, with respect to any Hedge Agreement at any date of determination, the amount, if any, that would be payable to any counterparty thereunder in respect of the “agreement value” under such Hedge Agreement if such Hedge Agreement were terminated on such date, calculated as provided in the International Swap Dealers Association, Inc. Code of Standard Wording, Assumptions and Provisions for Swaps, 1986 Edition.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Anti-Social Conduct” means (i) a demand and conduct with force and arms; (ii) an unreasonable demand and conduct having no legal cause; (iii) threatening or committing violent behavior relating to its business transactions; (iv) an action to defame the reputation or interfere with the business of any Lender by spreading rumor, using fraudulent means or resorting to force; or (v) other actions similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Group” means (i) an organized crime group (as defined in the Law relating to Prevention of Unjustifiable Acts by Gang Members of Japan (Law No. 77 of 1991, as amended)); (ii) a member of an organized crime group; (iii) a person who used to be a member of an organized crime group but has only ceased to be a member of an organized crime group for a period of less than 5 years; (iv) quasi-member of an organized crime group; (v) a related or associated company of an organized crime group; (vi) a corporate racketeer or blackmailer advocating social cause or a special intelligence organized crime group; or (vii) a member of any other criminal force similar or analogous to any of the foregoing in any jurisdiction.

“Anti-Social Relationship” means in relation a Person, (i) an Anti-Social Group controls its management; (ii) an Anti-Social Group is substantively involved in its management; (iii) it has entered into arrangements with an Anti-Social Group for the purpose of, or which have the effect of, unfairly benefiting itself or a third party or prejudicing a third party; (iv) it is involved in the provision of funds or other benefits to an Anti-Social Group; or (v) any of its directors or any other person who is substantively involved in its management has a socially objectionable relationship with an Anti-Social Group.

“Applicable Creditor” has the meaning set forth in Section 9.16.

“Applicable Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Applicable Lending Office” or similar concept in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office, branch, Subsidiary or affiliate of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

“Applicable Margin” means 0.10%.

“Arrangers” means Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited.

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit B hereto (or such other form as is agreed upon by the Borrower and the Administrative Agent).

“Availability Period” means the period starting on the Closing Date and ending on the Commitment Termination Date.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrowed Debt” means any Debt for money borrowed, including loans, hybrid securities, debt convertible into Equity Interests and any Debt represented by notes, bonds, debentures or other similar evidences of Debt for money borrowed.

“Borrower” has the meaning set forth in the recitals of this Agreement.

“Borrower Materials” has the meaning specified in Section 5.01.

“Borrowing” means the borrowing consisting of a simultaneous Advance of the same Type made by each of the Lenders to the Borrower pursuant to Section 2.01.

“Borrowing Minimum” means 100,000,000 Yen.

“Borrowing Multiple” means an integral multiple of 100,000,000 Yen.

“Bridge Credit Agreement” has the meaning specified in the definition of “Bridge Facility”.

“Bridge Facility” means the commitments and any advances made under the 364-Day Bridge Credit Agreement, dated as of May 8, 2018 (the “Bridge Credit Agreement”), among Takeda Pharmaceutical Company Limited, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

“Bridge Facility Effective Date” means May 8, 2018.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in Tokyo and any day on which dealings in Yen are conducted by and between banks in the Japan interbank Yen market.

“CERCLIS” means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

“Certain Funds Default” means an Event of Default arising from any of the following (other than in respect of any Subsidiary of the Borrower, the Target or any Subsidiary of the Target, or a breach of a procurement obligation with respect to any Subsidiary of the Borrower, the Target or any Subsidiary of the Target):

- (i) Section 6.01(a) (in so far as it relates to payment of principal and/or interest);
- (ii) Section 6.01(b) as it relates to a Certain Funds Representation;
- (iii) Section 6.01(c) as it relates to the failure to perform any of the following covenants:
 - (A) Sections 5.01(d)(i) or (j) (other than paragraph (ix), (x) and (xii) thereof) or (B) Sections 5.02(a), (b) or (d);
- (iv) Section 6.01(e) in relation to the Borrower, but excluding, in relation to involuntary proceedings referenced therein, any Event of Default caused by a frivolous or vexatious action, proceeding or petition in respect of which no order or decree in respect of such involuntary proceeding shall have been entered; or
- (v) Section 6.01(i).

“Certain Funds Period” means the period commencing on the Effective Date and ending on the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists.

“Certain Funds Purposes” means:

- (i) where the Target Acquisition proceeds by way of a Scheme:
 - (a) payment (directly or indirectly) of the cash price payable by the Borrower to the holders of the Scheme Shares in consideration of the acquisition of such Scheme Shares pursuant to the Scheme;
 - (b) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (c) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (d) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect); or
- (ii) where the Target Acquisition proceeds by way of a Takeover Offer:
 - (a) payment (directly or indirectly) of all or part of the cash price payable by the Borrower to the holders of the Target Shares subject to the Takeover Offer in consideration of the acquisition of such Target Shares pursuant to the Takeover Offer;

- (b) payment (directly or indirectly) of the cash consideration payable to the holders of Target Shares pursuant to the operation by Borrower of the procedures contained in Articles 117 and 121 of the Jersey Companies Law;
- (c) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
- (d) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
- (e) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect).

“Certain Funds Representations” means each of the following: (1) Sections 4.01(a), (b)(i), (b)(ii) and (b)(iii); (2) Section 4.01(c) and (d); (3) Section 4.01(q); and (4) Section 4.01(t), (u)(ii) and (v) (but only to the extent they relate to the then current actual method of the Target Acquisition), in each case only insofar as it relates to the Borrower (excluding, for the avoidance of doubt, any Subsidiary of the Borrower, Target or any Subsidiary of Target).

“Charges” has the meaning specified in Section 9.19.

“City Code” means the City Code on Takeovers and Mergers applicable, inter alia, to takeovers of listed companies in the United Kingdom and to Jersey listed companies pursuant to the Companies (Takeovers and Mergers Panel) (Jersey) Law 2009.

“Clean-up Date” has the meaning set forth in Section 6.01.

“Closing Date” means the date on which each of the conditions set forth in Section 3.02 have been satisfied (or waived in accordance with Section 9.01).

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, as to any Lender, the commitment of such Lender to make the Advance pursuant to Section 2.01(a), as such commitment may be reduced from time to time pursuant to the terms hereof. The initial amount of each Lender’s Commitment is (a) the amount set forth in the column labeled “Commitment” opposite such Lender’s name on Schedule I hereto, or (b) if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.05. As of the Effective Date, the aggregate amount of the Commitments is 500,000,000,000 Yen as such amount may be reduced in accordance with Section 2.05 or 6.01.

“Commitment Termination Date” means the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists.

“Consolidated” refers to the consolidation of accounts in accordance with IFRS.

“Consolidated EBITDA” means, for any fiscal period, the Consolidated net profit of the Consolidated Group for such period determined in accordance with IFRS plus the following, to the extent deducted in calculating such Consolidated net profit: (a) the provision for Federal, state, local and foreign taxes based on income, profits, revenue, business activities, capital or similar measures payable by the Consolidated Group

in each case, as set forth on the financial statements of the Consolidated Group, (b) share of loss of investments accounted for using the equity method, (c) Consolidated Interest Expense and dividend expense, (d) any losses (including all fees and expenses or charges relating thereto) on the retirement of debt, (e) any extraordinary, unusual, nonrecurring or non-cash impairments, charges, expenses or losses (including impairments, charges, fees, expenses and losses incurred in connection with the Transactions or any issuance of Debt or equity, acquisitions, investments, restructuring activities, asset sales or divestitures permitted hereunder, purchase accounting effects, derivatives transactions and other finance expenses and other operating expenses), (f) non-cash stock option expenses, non-cash equity-based compensation and/or non-cash expenses related to stock-based compensation, (g) any foreign currency exchange losses, (h) losses (including all fees and expenses or charges relating thereto) on sales of assets outside of the ordinary course of business and losses from discontinued operations and (i) depreciation and amortization expense and minus, to the extent included in calculating such Consolidated net profit for such period, the sum of (i) share of profit of investments accounted for using the equity method, (ii) interest and dividend income, (iii) any gains (less all fees and expenses or charges relating thereto) on the retirement of debt, (iv) any extraordinary, unusual, nonrecurring or non-cash income (including other finance income), (v) gains (less all fees and expenses or charges relating thereto) on the sales of assets outside of the ordinary course of business and gains from discontinued operations (without duplication of any amounts added back in clause (a) of this definition) and (vi) any foreign currency exchange gains, all as determined on a Consolidated basis. Consolidated EBITDA will be calculated on a pro forma basis as if the Transactions and any related incurrence or repayment of Debt by any member of the Consolidated Group had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately succeeding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately succeeding sentence). In addition, in the event that any member of the Consolidated Group acquired or disposed of any Person, business unit or line of business or made any investment during the relevant period, Consolidated EBITDA will be determined giving pro forma effect to such acquisition, disposition or investment as if such acquisition, disposition or investment and any related incurrence or repayment of Debt had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately preceding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately preceding sentence).

“Consolidated Group” means, prior to the consummation of the Target Acquisition, the Borrower and its Subsidiaries (excluding the Target and its Subsidiaries) and thereafter, the Borrower and its Subsidiaries (including the Target and its Subsidiaries).

“Consolidated Interest Expense” means, for any fiscal period, the total interest expense of the Consolidated Group on a Consolidated basis determined in accordance with IFRS, including the imputed interest component of capitalized lease obligations during such period, and all commissions, discounts and other fees and charges owed with respect to letters of credit, if any, and net costs under Hedge Agreements; provided that if any member of the Consolidated Group acquired or disposed of any Person or line of business during the relevant period (including for the avoidance of doubt the Transactions), Consolidated Interest Expense will be determined giving pro forma effect to any incurrence or repayment of Debt related to such acquisition or disposition as if such incurrence or repayment of Debt had occurred on the first day of the relevant period.

“Consolidated Net Assets” means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities, as set forth on the Consolidated balance sheet of the Consolidated Group most recently furnished to the Lenders pursuant to Section 5.01(i)(ii) prior to the time as of which Consolidated Net Assets shall be determined.

“Consolidated Net Debt” means, as of any date of determination, the aggregate amount of Borrowed Debt of the Consolidated Group determined on a Consolidated basis as of such date, minus all unrestricted cash and cash equivalents of the Consolidated Group.

“Consolidated Tangible Assets” means, as of any date of determination thereof, Consolidated Total Assets minus, without duplication, (x) the Intangible Assets of the Consolidated Group and (y) goodwill of the Consolidated Group, in each case on such date.

“Consolidated Total Assets” means, as of the date of any determination thereof, total assets of the Consolidated Group calculated in accordance with IFRS on a consolidated basis as of such date.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “Controlling” and “Controlled” have meanings correlative thereto.

“Conversion”, “Convert”, or “Converted” each refers to a conversion of the Advance of one Type into an Advance of the other Type pursuant to Section 2.08 or 2.12.

“Cost of Funds Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(i).

“Cost of Funds Rate” means the weighted average of the rates notified to the Administrative Agent by each Lender as soon as practicable and in any event not later than 10:00 A.M. (Tokyo time) one Business Day prior to the first day of the Interest Period applicable to a Cost of Funds Advance (or, if earlier, 10:00 A.M. (Tokyo time) in the date falling one Business Day before the date on which interest is due to be paid in respect of the Advance), to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its Advance from whatever source it may reasonably select; provided that if any Lender does not supply a quotation by the time specified in this definition, the Cost of Funds Rate shall be calculated on the basis of the quotations of the other Lenders that have so supplied a quotation.

“Court” means the Royal Court of Jersey.

“Court Meeting” means the meeting or meetings of Scheme Shareholders (or any adjournment thereof) to be convened by order of the Court under Article 125(1) of the Jersey Companies Law for the purposes of considering and, if thought fit, approving the Scheme.

“Court Order” means the Act of Court sanctioning the Scheme under Article 125(2) of the Jersey Companies Law.

“Credit Party” means the Administrative Agent or any Lender.

“Debt” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services that would appear as a liability on the balance sheet of such Person prepared in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with IFRS, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below directly guaranteed in any manner by such Person, or the payment of which is otherwise provided for by such Person, and (i) all Debt referred to in clauses (a) through (h) above secured by any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; provided, however, that the amount of such Debt will be the lesser of (x) the fair market value of such asset at such date of determination and (y) the amount of such other Debt.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement specified in Article VI that notice be given or time elapse or both.

“Default Interest” has the meaning specified in Section 2.07(b).

“Defaulting Lender” means, subject to Section 2.19(b), any Lender that (a) has failed to (i) fund all or any portion of its Advance within two Business Days of the date such Advance was required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund the Advance hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the

Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-in Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.19(b)) upon delivery of written notice of such determination to the Borrower and each Lender.

“Disclosure Letter” means that certain Disclosure Letter dated as of the Effective Date from the Borrower to the Lead Arrangers and the Arrangers.

“Dollar Equivalent” means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount in any currency other than Dollars, the equivalent in Dollars of such amount, calculated on the basis of the Exchange Rate pursuant to Section 1.06 using the Exchange Rate with respect to such currency at the time in effect pursuant to the provisions of such Section 1.06.

“Dollars” and the “\$” sign each means lawful currency of the United States.

“EEA Financial Institution” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date” means the date on which the conditions set forth in Section 3.01 are satisfied (or waived in accordance with Section 9.01).

“Eligible Assignee” means (a) a Lender; (b) an Affiliate of a Lender; (c) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (d) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or

a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (d); and (e) any other Person approved by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, by the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that no Defaulting Lender (or Person who would be a Defaulting Lender upon becoming a Lender) nor the Borrower nor any Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“Environmental Law” means any applicable federal, state, local or foreign statute; law (including common law); ordinance; rule; regulation; code; final and binding court order, judgment, decree or judicial or agency interpretation, policy or guidance; or agency order relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations promulgated thereunder.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code.

“ERISA Event” means:

(a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Single Employer Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are being met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Single Employer Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days unless the 30-day notice requirement has been waived by the PBGC;

(b) the application for a minimum funding waiver with respect to a Single Employer Plan;

(c) the termination of or provision of a notice of intent to terminate any Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA) or otherwise so as to incur liability of the Borrower or any ERISA Affiliate under Title IV of ERISA (other than premiums due to the PBGC);

(d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA;

(e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA;

(f) the conditions for the imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or

(g) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of a Plan, or the appointment of a trustee to administer a Single Employer Plan or Multiple Employer Plan.

“Escrow Account” means any account established for the purpose of depositing funds prior to their being applied towards Certain Funds Purposes.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Eurocurrency Liabilities” has the meaning specified in Regulation D of the Board, as in effect from time to time.

“Eurocurrency Rate” means the Japanese Yen TIBOR rate administered by the JBA TIBOR Administration (or any other Person that takes over the administration of such rate) for deposits in Yen for a period equal in length to such Interest Period as displayed on Thomson Reuters Japan screen page 17097 (or, in the event such rate does not appear on such Thomson Reuters Japan screen page 17097, on any successor or substitute page of such screen page that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case, the “Screen Rate”) at approximately 11:00 A.M., Tokyo time on the Quotation Day and Interest Period; provided that if the Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that, if the Screen Rate shall not be available at such time for such Interest Period (an “Impacted Interest Period”) with respect to Yen, then the Eurocurrency Rate shall be the Interpolated Rate at such time; provided that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. “Interpolated Rate” means, at any time, the rate per annum determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the Screen Rate for the longest period (for which that Screen Rate is available in Yen) that is shorter than the Impacted Interest Period and (b) the Screen Rate for the shortest period (for which that Screen Rate is available for Yen) that exceeds the Impacted Interest Period, in each case, at such time; provided further that if no Screen Rate is available for Yen, the Eurocurrency Rate shall be the Reference Bank Rate.

“Eurocurrency Rate Advance” means an Advance that bears interest as provided in Section 2.07(a)(ii).

“Eurocurrency Rate Reserve Percentage” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the

maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the Board, the Financial Conduct Authority, the Prudential Regulation Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall include those imposed pursuant to Eurocurrency Liabilities. A Eurocurrency Rate Advance shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable law, rule or regulation, including Eurocurrency Liabilities. The Eurocurrency Rate Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

“Events of Default” has the meaning specified in Section 6.01.

“Exchange Rate” means on any day, for purposes of determining the Dollar Equivalent or Yen Equivalent of any other currency, the rate at which such other currency may be exchanged into Dollars or Yen, as applicable, at the time of determination on such day as quoted by Bloomberg on www.bloomberg.com/markets/currencies/fxc.html (and applying the Currency Converter set forth on such webpage), or as displayed on such other information service which publishes that rate of exchange from time to time in place of Bloomberg. In the event that such rate is not displayed by Bloomberg on the webpage specified in the immediately preceding sentence, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as the Administrative Agent shall elect after determining that such rates shall be the basis for determining the Exchange Rate, on such date for the purchase of Yen or Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method, in consultation with the Borrower, it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Excluded Taxes” has the meaning specified in Section 2.14(a).

“Existing Target Indebtedness” means indebtedness of the Target existing on the Closing Date.

“FATCA” means (a) Sections 1471 to 1474 of the Code or any associated regulations, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the United States government or any governmental or taxation authority in any other jurisdiction.

“FIEA” means the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended).

“Foreign Exchange Act” means the Foreign Exchange and Foreign Trade Act of Japan (Law No. 59 of 2009, as amended).

“GAAP” means generally accepted accounting principles as in effect in the United States from time to time.

“General Meeting” means the extraordinary general meeting of the holders of Target Shares (or any adjournment thereof) to be convened in connection with the implementation of a Scheme.

“Governmental Authority” means the government of Japan, the United States of America, or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Hazardous Materials” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as “hazardous” or “toxic” or as a “pollutant” or “contaminant” or for which liability may be imposed, under any Environmental Law.

“Hedge Agreements” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“HYB Debt” means the obligations of the Borrower for which the rights with respect to interest and the conditions of redemption or repayment are substantially similar to those provided for in the Yen HYB Loans under the Yen Hybrid Loan Agreement, including (but not limited to) with respect to the subordinated nature thereof.

“IFRS” means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the Effective Date.

“Impacted Interest Period” has the meaning provided in the definition of “Eurocurrency Rate”.

“Indemnified Party” has the meaning specified in Section 9.04(b).

“Information” has the meaning specified in Section 9.08.

“Initial Lender” has the meaning specified in the definition of “Lenders”.

“Intangible Assets” means the aggregate amount, for the Consolidated Group on a consolidated basis, of all assets classified as intangible assets under IFRS, including, without limitation, customer lists, acquired technology, computer software, trademarks, patents, copyrights, organization expenses, franchises, licenses, trade names, brand names, mailing lists, catalogs, unamortized debt discount and capitalized research and development costs.

“Interest Period” means, for the Advance, the period commencing on the date of the Advance and ending on the last day of the period calculated pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period calculated pursuant to the provisions below. The duration of each such Interest Period shall be one month; provided, however, that:

- (a) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next succeeding calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and

(b) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Interpolated Rate” has the meaning specified in the definition of “Eurocurrency Rate”.

“Jersey Companies Law” means the Companies (Jersey) Law 1991.

“Judgment Currency” has the meaning set forth in Section 9.16.

“Lead Arrangers” means Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd.

“Lenders” means, collectively, (a) each bank, financial institution and other institutional lender listed on the signature pages hereof (each, an “Initial Lender”) and (b) each Eligible Assignee that shall become a party hereto pursuant to Section 9.07(a), (b) and (c). Each Lender shall have a license required to engage in the business of lending money in Japan.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, intended as a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“Loan Documents” means this Agreement and any amendments, notes or notices entered into in connection herewith.

“Long Stop Date” means the date falling 12 months after the Bridge Facility Effective Date; provided that such date may be extended if and to the extent that (i) any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Offer Press Announcement) has not been satisfied by the date falling 12 months after the Bridge Facility Effective Date; (ii) the Long Stop Date (as defined in the Original Scheme Press Release) has also been extended (with the Target having consented, to the extent required, to any such extension) and (iii) such date shall not be extended beyond the date falling 15 months after the Bridge Facility Effective Date.

“Losses” has the meaning specified in Section 9.04(b).

“Mandatory Cancellation Event” means the occurrence of any of the following conditions or events:

(i) where the Target Acquisition proceeds by way of a Scheme:

(a) the Court Meeting is held (and not adjourned or otherwise postponed) to approve the Scheme at which a vote is held to approve the Scheme, but the Scheme is not so approved in accordance with Article 125(2) of the Jersey Companies Law by the requisite majority of the Scheme Shareholders at such Court Meeting;

(b) the General Meeting is held (and not adjourned or otherwise postponed) to pass the Scheme Resolutions at which a vote is held on the Scheme Resolutions, but the Scheme Resolutions are not passed by the requisite majority of the shareholders of Target at such General Meeting;

(c) an application for the issuance of the Court Order is made to the Court (and not adjourned or otherwise postponed) but the Court (in its final judgment) refuses to grant the Court Order;

(d) either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court; or

(e) the date which is 15 days after the Scheme Effective Date;

unless, in respect of paragraphs (a) to (d) inclusive above, for the purpose of switching from a Scheme to a Takeover Offer, within 5 Business Days of such event the Borrower has notified the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, an Offer Press Announcement and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred);

(ii) where the Target Acquisition proceeds by way of a Takeover Offer:

(a) such Takeover Offer lapses, terminates or is withdrawn unless, for the purpose of switching from a Takeover Offer to a Scheme, within 5 Business Days of such event the Borrower has notified the Administrative Agent that the Borrower intends to issue, and then within 10 Business Days after delivery of such notice the Borrower does issue, a Scheme Press Release and provides a copy to the Administrative Agent (in which case no Mandatory Cancellation Event shall have occurred); or

(b) the date which is six weeks after the date (or to the extent necessary to address a minority shareholder's application to Court in protest thereof and written notice is provided to the Administrative Agent on or prior to the end of such initial six week period, twelve weeks after the date) that the Borrower serves notice under Article 117 of the Jersey Companies Law to buy out minority shareholders;

(iii) the date upon which all payments made or to be made for Certain Funds Purposes have been paid in full in cleared funds; or

(iv) the date which is 15 days after the Long Stop Date.

"Margin Stock" has the meaning provided in Regulation U.

"Maximum Rate" has the meaning specified in Section 9.19.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Borrower or the Consolidated Group taken as a whole, (b) the rights and remedies of the Administrative Agent or any Lender under this Agreement, taken as a whole, or (c) the ability of the Borrower to perform its or their payment obligations under this Agreement.

"Maturity Date" means, with respect to the Advance, the day that is one month, two months, three months or six months after the date such Advance is made, as selected by the Borrower in the Notice of Borrowing for the Advance.

"Moody's" means Moody's Investors Service, Inc. (or any successor thereof).

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other

than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Non-Consenting Lender” has the meaning specified in Section 9.01(c).

“Non-Defaulting Lender” means, at any time, a Lender that is not a Defaulting Lender.

“Notice” has the meaning specified in Section 9.02(c).

“Notice of Borrowing” has the meaning specified in Section 2.02(a).

“NPL” means the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

“OFAC” means the U.S. Treasury Department’s Office of Foreign Assets Control.

“Offer Documents” means the Takeover Offer Document and the Offer Press Announcement.

“Offer Press Announcement” means a press announcement released by or on behalf of the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Takeover Offer and setting out the terms and conditions of the Takeover Offer.

“Original Scheme Press Release” means the Scheme Press Release released by the Borrower on May 8, 2018.

“Other Connection Taxes” means, with respect to the Administrative Agent or any Lender, Taxes imposed as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction imposing such Tax (other than connections arising from the Administrative Agent or such Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document).

“Other Taxes” has the meaning specified in Section 2.14(b).

“Panel” means the Panel on Takeovers and Mergers.

“Participant Register” has the meaning specified in Section 9.07(e).

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor thereto).

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

“Platform” has the meaning specified in Section 5.01(i).

“Pro Forma Financials” has the meaning provided in Section 3.02(f).

“Projections” means any projections and any forward looking statements (including statements with respect to booked business) of the Consolidated Group furnished to the Lenders or the Administrative Agent by or on behalf of the Borrower prior to the Closing Date.

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“Public Debt Rating” means, as of any date and subject to the provisions of the next succeeding sentence, the lowest rating that has been most recently announced by each of S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower. For purposes of the foregoing: (a) if only one of S&P and Moody’s shall have in effect a Public Debt Rating, the Public Debt Rating shall be determined by reference to the available rating; (b) if the ratings established by S&P and Moody’s shall fall within different levels, the Public Debt Rating shall be the higher of such ratings, except that, in the event that the lower of such ratings is more than one level below the higher of such ratings, the Public Debt Rating shall be the level immediately above the lower of such ratings; and (c) if S&P or Moody’s shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody’s, as the case may be, shall refer to the then equivalent rating by S&P or Moody’s, as the case may be.

“Public Lender” has the meaning set forth in Section 5.01.

“Quotation Day” means two Business Days prior to the first day of such Interest Period.

“Reference Bank Rate” means the arithmetic mean of the rates (rounded upwards to four decimal places) supplied to the Administrative Agent at its request by the Reference Banks (as the case may be) as of the applicable time on the Quotation Day for the Advance in Yen and the applicable Interest Period as the rate at which the relevant Reference Bank could borrow funds in the Tokyo (or other applicable) interbank market in the relevant currency and for the relevant period, were it to do so by asking for and then accepting interbank offers in reasonable market size in that currency and for that period.

“Reference Banks” means such banks as may be appointed by the Administrative Agent (and agreed by such bank) in consultation with the Borrower.

“Register” has the meaning specified in Section 9.07(d).

“Registrar” means the Registrar of Companies for Jersey.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“Required Lenders” means, at any time, Lenders holding more than 50% of the available Commitments or aggregate outstanding principal amount of Advances at such time; provided that the Commitment of, or the Advances held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Resignation Effective Date” has the meaning provided in Section 7.06(a).

“Responsible Officer” means, with respect to the Borrower, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Head of Corporate Law, Japan Legal and the General Counsel of the Borrower (or other executive officer of the Borrower performing similar functions) or any other officer of the Borrower responsible for overseeing or reviewing compliance with this Agreement.

“Restricted Margin Stock” means Margin Stock owned by the Consolidated Group the value of which (determined as required under clause 2(i) of the definition of “Indirectly Secured” set forth in Regulation U) represents not more than 25% of the aggregate value (determined as required under clause (2)(i) of the definition of “Indirectly Secured” set forth in Regulation U), on a consolidated basis, of the property and assets of the Consolidated Group (excluding any Margin Stock) that is subject to the provisions of Section 5.02(a) or (b).

“S&P” means Standard & Poor’s Financial Services LLC (or any successor thereof).

“Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of comprehensive Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the Ministry of Finance of Japan, the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom, any relevant and applicable European Union member state or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b) or (d) any Person otherwise the subject of any Sanctions.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, (b) the Japanese government, including those imposed under the Foreign Exchange Act and the Import Trade Control Order of Japan (Cabinet Order No. 414 of 1949, as amended) or (c) the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom or any relevant and applicable European Union member state or other relevant sanctions authority.

“Scheme” means a scheme of arrangement to be effected under Article 125 of the Jersey Companies Law between Target and the Scheme Shareholders pursuant to which the Borrower will become the holder of all of the Scheme Shares in accordance with the Scheme Documents, subject to such changes and amendments to the extent not prohibited by the Loan Documents.

“Scheme Circular” means the document issued by or on behalf of Target to the Scheme Shareholders setting out the terms and conditions of and an explanatory statement in relation to the Scheme, stating the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of Target and setting out the notices of the Court Meeting and the General Meeting as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Scheme Documents” means, collectively (a) the Scheme Press Release, (b) the Scheme Circular, (c) the Scheme Resolutions and (d) any other document issued by or on behalf of Target to its shareholders in respect of the Scheme and any other document designated as a “Scheme Document” by the Administrative Agent and the Borrower.

“Scheme Effective Date” means the date on which the Court Order sanctioning the Scheme is duly delivered on behalf of Target to the Registrar in accordance with Article 125(3) of the Jersey Companies Law.

“Scheme Press Release” means a press announcement released by the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Scheme and setting out the terms and conditions of the Scheme.

“Scheme Resolutions” means the resolutions of the shareholders of Target which are required to implement the Scheme and which are referred to and substantially in the form set out in the Scheme Circular and which are to be proposed at the General Meeting.

“Scheme Shareholders” means the registered holders of Scheme Shares at the relevant time.

“Scheme Shares” means the Target Shares which are subject to the Scheme in accordance with its terms.

“Screen Rate” has the meaning set forth in the definition of “Eurocurrency Rate”.

“Service of Process Agent” means CT Corporation Systems, 111 Eighth Avenue, 13th Floor, New York, New York 10011.

“Significant Subsidiary” means any Subsidiary of the Borrower that constitutes a “significant subsidiary” under Regulation S-X promulgated by the Securities and Exchange Commission, as in effect from time to time.

“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Subsidiary” means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“Takeover Offer” means a “takeover offer” within the meaning of Article 116(1) of the Jersey Companies Law proposed to be made by the Borrower to acquire (directly or indirectly) Target Shares, substantially on the terms and conditions set out in an Offer Press Announcement (as such offer may be amended in any way which is not prohibited by the terms of the Loan Documents).

“Takeover Offer Document” means the document issued by or on behalf of the Borrower and dispatched to shareholders of Target in respect of a Takeover Offer containing the terms and conditions of the Takeover Offer reflecting the Offer Press Announcement in all material respects as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Target” means Shire plc.

“Target Acquisition” means the direct or indirect acquisition, pursuant to the Offer Documents or Scheme Documents, as applicable, of the Target Shares, which acquisition will be effected pursuant to a Scheme or Takeover Offer.

“Target Shares” means all of the issued and to be issued ordinary shares in the capital of the Target (including any issued pursuant to the exercise of any options or awards or other instruments convertible into or exchangeable for shares of the Target).

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including back-up withholdings), assessments, fees or other like charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Transactions” means the Target Acquisition, the entry into this Agreement and the transactions contemplated hereby, the borrowing by the Borrower under the Commitments, and in each case, related fees costs and expenses.

“Type” refers to a Cost of Funds Rate Advance or a Eurocurrency Rate Advance.

“United States” and “U.S.” each means the United States of America.

“Unrestricted Margin Stock” means any Margin Stock owned by the Consolidated Group which is not Restricted Margin Stock.

“Voting Stock” means shares of capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“Withdrawal Liability” has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

“Yen” and the “¥” sign each means lawful currency of Japan.

“Yen Equivalent” means, at any time, (a) with respect to any amount denominated in Yen, such amount, and (b) with respect to any amount in any currency other than Yen, the equivalent in Yen of such amount, calculated on the basis of the Exchange Rate pursuant to Section 1.06 using the Exchange Rate with respect to such currency at the time in effect pursuant to the provisions of such Section 1.06.

“Yen HYB Bonds” means HYB Debt incurred to the Borrower in the form of notes, bonds, debentures or other similar instruments denominated in Yen.

“Yen HYB Loans” means loans advanced to the Borrower under the Yen HYB Loan Agreement.

“Yen HYB Loan Agreement” means that certain subordinated syndicated loan agreement dated as of October 26, 2018 among Takeda Pharmaceutical Company Limited, a joint-stock company organized and existing under the laws of Japan, the lenders that are parties thereto, and Sumitomo Mitsui Banking Corporation, as agent for the lenders.

SECTION 1.02 Computation of Time Periods. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”, the word “through” means “through and including” and each of the words “to” and “until” mean “to but excluding”.

SECTION 1.03 Accounting Terms. Except as otherwise expressly provided herein, all accounting terms not specifically defined herein shall be construed in accordance with, and all financial data (including financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS, as in effect from time to time. If at any time any change in IFRS would affect the calculation of any covenant set forth herein and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such covenant to preserve the original intent thereof in light of such change in IFRS (subject to the approval of the Required Lenders); provided that, until so amended, (i) such covenant shall continue to be calculated in accordance with IFRS prior to such change and (ii) the Borrower shall provide to the Administrative Agent and the Lenders, concurrently with the delivery of any financial statements or reports with respect to such covenant, statements setting forth a reconciliation between calculations of such covenant made before and after giving effect to such change in IFRS. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to (i) any election under applicable accounting standards to value any Debt or other liabilities of the Borrower or any Subsidiary at “fair value” or similar term and (ii) any treatment of Debt in respect of convertible debt instruments under applicable accounting standards to value any such Debt in a reduced or bifurcated manner, and such Debt shall at all times be valued at the full stated principal amount thereof.

SECTION 1.04 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein and (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereto.

SECTION 1.05 Jersey Terms. In each Loan Document, where it relates to a person incorporated or formed or having its centre of main interests in Jersey, a reference to:

- (a) a winding up, administration or dissolution includes, without limitation, bankruptcy (as that term is interpreted pursuant to Article 8 of the Interpretation (Jersey) Law 1954), any procedure or process referred to in Part 21 of the Jersey Companies Law, and any other similar proceedings affecting the rights of creditors generally under Jersey law, and shall be construed so as to include any equivalent or analogous proceedings; or

- (b) a receiver, administrative receiver, administrator or the like includes, without limitation, the Viscount of the Royal Court of Jersey, *autorisés* or any other person performing the same function of each of the foregoing.

SECTION 1.06 Currency Translations. For purposes of (i) determining the amount of Borrowed Debt incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(e), (ii) determining the amount of indebtedness incurred in connection with an Acquisition under Section 5.03, (iii) determining the amount of obligations secured by Liens incurred, outstanding or proposed to be incurred or outstanding under Section 5.02(a), (iv) determining the amount of Debt, the net assets of a Person or judgments outstanding under Section 6.01(d), (e) or (f) or (v) determining the amount of any HYB Debt under Section 2.05(c) or 2.06(b), all amounts incurred, outstanding or proposed to be incurred or outstanding, in currencies other than Dollars shall be translated into Dollars, and in currencies other than Yen shall be translated into the Yen Equivalent, as applicable, in each case at the Exchange Rate on the applicable date; provided that no Default shall arise as a result of any limitation set forth in Dollars in Section 5.02(a) or (e) being exceeded solely as a result of changes in Exchange Rates from those rates applicable at the time or times Debt or obligations secured by Liens were initially consummated or acquired in reliance on the exceptions under such Sections.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCE

SECTION 2.01 The Advance. Each Lender severally and not jointly agrees, on the terms and conditions hereinafter set forth to make a single Advance denominated in Yen to the Borrower on any Business Day during the Availability Period in an amount not to exceed such Lender's outstanding Commitment immediately prior to the making of the Advance. The Borrowing shall be in an aggregate amount equal to the Borrowing Minimum or a Borrowing Multiple in excess thereof and shall initially consist of a Eurocurrency Rate Advance made on the same day by the Lenders ratably according to their respective Commitments. Upon the making of the Advance by a Lender such Lender's relevant Commitment will be permanently reduced to zero and terminated. The Borrower may prepay the Advance pursuant to Section 2.10, provided that the Advance may not be reborrowed once repaid.

SECTION 2.02 Making the Advance. (a) The Borrowing shall be made on notice by the Borrower, given not later than 9:00 A.M. (Tokyo time) on the third Business Day prior to the date of the proposed Borrowing, to the Administrative Agent, which shall give to each Lender prompt notice thereof by writing or telecopy. A notice of Borrowing (a "Notice of Borrowing") shall be by telecopy to the Agent in writing substantially in the form of Exhibit A hereto, specifying therein the requested (i) date of the Borrowing (which shall be a Business Day), (ii) aggregate amount of such Borrowing, (iii) Maturity Date for the Advance, if the Borrowing is to consist of a Eurocurrency Rate Advance, and (iv) account or accounts in which the proceeds of the Borrowing should be credited. Each Lender shall, before 11:00 A.M. (Tokyo time) on the date of the Borrowing make available for the account of its Applicable Lending Office to the Administrative Agent at the applicable Administrative Agent's Office, in same day funds, such Lender's ratable portion of the Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower in immediately available funds to the account or accounts specified by the Borrower to the Administrative Agent in the Notice of Borrowing relating to the Borrowing. Notwithstanding anything to the contrary herein, there shall not be more than one separate Borrowing for the Advance.

(b) Anything in Section 2.02(a) to the contrary notwithstanding, the Borrower may not select a Eurocurrency Rate Advance if the obligation of the Lenders to make a Eurocurrency Rate Advance shall then be suspended pursuant to Section 2.08 or 2.12.

(c) The Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case it is specified in the Notice of Borrowing that the Borrowing to be comprised of a Eurocurrency Rate Advance, the Borrower shall indemnify each Lender against any reasonable loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing the applicable conditions set forth in Article III, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of the Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the time of the Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of the Borrowing in accordance with Section 2.02(a) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that any Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to pay or to repay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is paid or repaid to the Administrative Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to the Advance comprising the Borrowing and (B) the cost of funds incurred by the Administrative Agent in respect of such amount and (ii) in the case of such Lender, the greater of the Cost of Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall pay to the Administrative Agent such corresponding principal amount, such amount so paid shall constitute such Lender's Advance as part of the Borrowing for all purposes of this Agreement. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(e) The failure of any Lender to make the Advance to be made by it as part of the Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of the Borrowing.

(f) If any Lender makes available to the Administrative Agent funds for the Advance to be made by such Lender as provided herein, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the Borrowing are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

(g) Each Lender at its option may make the Advance by causing any domestic or foreign branch or Affiliate of such Lender to make such Advance (and in the case of an Affiliate, the provisions of Sections 2.08, 2.11 and 2.14 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Advance in accordance with the terms of this Agreement.

SECTION 2.03 [Reserved].

SECTION 2.04 Fees. (a) Commitment Fee. As part of the consideration for each Lender's Commitment hereunder, the Borrower agrees to pay to the Administrative Agent, for the account of each Lender

(other than a Defaulting Lender for such time as such Lender is a Defaulting Lender), a non-refundable commitment fee from (and excluding) the Effective Date and from time to time through and including the date of termination of the Commitments in full, at a rate per annum equal to 0.05% per annum on the aggregate daily amount of such Lender's Commitments during such period, such fee to be earned and payable in arrears quarterly on the last Business Day of each March, June, September and December, and on the date the Commitment terminates in full or is otherwise reduced to zero.

(b) [Reserved].

(c) **Additional Fees.** The Borrower shall pay to the Administrative Agent, Lead Arrangers and Arranger for their account (or that of their applicable Affiliate) such fees as may from time to time be agreed between any of the Consolidated Group and the Administrative Agent, Lead Arrangers, and/or Arranger.

(d) **Calculation of Commitment.** For the avoidance of doubt, with respect to the definition of "Mandatory Cancellation Event" and the ability thereunder for the Borrower to provide notices and issue documents to facilitate a switch from a Scheme to a Takeover Offer and vice versa, the Commitment shall be deemed to be in effect until the end of the day on which the applicable notice or issuance is required to but does not occur for the purposes of calculating any fees under this Agreement or any fee letters related hereto.

SECTION 2.05 Termination or Reduction of the Commitments. (a) Unless previously terminated, the Commitments shall terminate in full at 5:00 p.m. (Tokyo time) on the earlier of (i) the date on which all of the Certain Funds Purposes have been achieved without the making of any Advances and (ii) the date on which the Certain Funds Period terminates. Additionally, each Lender's Commitment will be permanently reduced to zero and terminated upon such Lender making an Advance under such Commitment. Any termination or reduction of the Commitments shall be permanent.

(b) **Ratable Reduction or Termination.** The Borrower shall have the right, upon at least three Business Days' notice to the Administrative Agent at or about 10:00 A.M. (Tokyo time), to terminate in whole or permanently reduce ratably in part the unused portions of Commitments of the Lenders; provided that each partial reduction shall be in an aggregate amount of not less than 5,000,000,000 Yen and an integral multiple of 5,000,000,000 Yen in excess thereof; provided further that any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied.

(c) **Mandatory Reduction or Termination.** Each Lender's Commitment will be permanently reduced ratably upon the incurrence by the Borrower of any HYB Debt (but excluding the Yen HYB Loan Agreement) following the Effective Date until the end of the Availability Period (provided, however, that this provision shall not apply with respect to the funding or drawdown of (i) any such HYB Debt by issuance of subordinated notes or bonds denominated in a currency other than Yen and (ii) any such HYB Debt that is not identified by the Borrower to be used for Certain Funds Purposes or does not have conditions precedent thereunder that are no more restrictive to the Borrower than the conditions precedent to the Closing Date in the Bridge Credit Agreement). The Commitments shall be reduced by the Yen Equivalent of the amount of such HYB Debt upon the date of funding of such HYB Debt (if notes or bonds) or upon the execution of the loan agreement for such HYB Debt (if loans).

SECTION 2.06 Repayment of the Advance.

(a) The Borrower shall repay on the Maturity Date to the Administrative Agent for the ratable account of the Lenders, together with accrued and unpaid interest to the date of such repayment on the principal amount repaid, the aggregate principal amount of the Advance made to the Borrower outstanding on such date.

(b) The Borrower shall with respect to any HYB Debt incurred by the Borrower following the Effective Date (including the Yen HYB Loan Agreement, provided, however, that this provision shall not apply with respect to the funding of any such HYB Debt by issuance of subordinated notes or bonds denominated in a currency other than Yen), upon the date of funding of any such HYB Debt pay the Yen or Yen Equivalent of the amount of such funding to repay the Advance, and if any prepayment hereunder is made on a date other than the last day of an Interest Period for the Advance, the Borrower shall also pay any amount owing pursuant to Section 9.04(c), until all of the amounts have been paid in full.

(c) Each Party hereto acknowledges and agrees with respect to the foregoing that it is the intention of such parties that the Advance will be repaid in its entirety by the Maturity Date with the proceeds of Yen HYB Bonds, Yen HYB Loans and/or other HYB Debt incurred by the Borrower after the Effective Date (provided, however, that this provision shall not apply with respect to the funding of any such HYB Debt by issuance of subordinated notes or bonds denominated in a currency other than Yen), and the Borrower shall therefore ensure that such proceeds when incurred are used to repay the Advances in accordance with this Section 2.06(b) ahead of any other purpose.

SECTION 2.07 Interest on the Advance. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of the Advance made to it from the date of the Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Cost of Funds Rate Advance. During such periods as the Advance is a Cost of Funds Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Cost of Funds Rate for such Interest Period for such Advance and (B) the Applicable Margin payable in arrears on (x) the last day of such Interest Period and (y) on the date such Cost of Funds Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clause (y) above, accrued but unpaid interest shall only be payable in respect of the principal amount of the Advance prepaid or Converted on such date.

(ii) Eurocurrency Rate Advance. During such periods as the Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurocurrency Rate for such Interest Period for such Advance, and (B) the Applicable Margin, payable in arrears on (x) the last day of such Interest Period and (y) on the date such Eurocurrency Rate Advance shall be Converted or paid in full; provided that, in the event of any payment of interest pursuant to clause (y) above, accrued but unpaid interest shall only be payable in respect of the principal amount of the Advance prepaid or Converted on such date.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default pursuant to Section 6.01(a), the Administrative Agent shall, upon the request of the Required Lenders, require the Borrower to pay interest ("Default Interest"), which amount shall accrue as of the date of occurrence of the Event of Default, on (i) amounts that are overdue, payable in arrears on the dates referred to in Section 2.07(a)(i) or 2.07(a)(ii), at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such overdue amount pursuant to Section 2.07(a)(i) or 2.07(a)(ii) and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on the Advance pursuant to Section 2.07(a)(ii) (or, if the Advance has been Converted to a Cost of Funds Rate Advance pursuant to Section 2.07(a)(i)), provided, however, that following acceleration of the Advance pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Administrative Agent.

(c) Additional Interest on Eurocurrency Rate Advance. The Borrower shall pay to each Lender, so long as and to the extent such Lender shall be subject to, under applicable law, rules or regulations to reserves, liquid asset, fees or similar requirements (as further described in the definition of Eurocurrency Rate Reserve Percentage) with respect to deposits or liabilities (as so described), additional interest on the unpaid principal amount of the Advance of such Lender made to the Borrower as a Eurocurrency Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (a) the Eurocurrency Rate for the applicable Interest Period for the Advance from (b) the rate obtained by dividing such Eurocurrency Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on the Advance. Such Lender shall as soon as practicable provide notice to the Administrative Agent and the Borrower of any such additional interest arising in connection with the Advance, which notice shall be conclusive and binding, absent demonstrable error.

SECTION 2.08 Interest Rate Determination. (a) The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 2.07(a)(i) or 2.07(a)(ii).

(b) If, with respect to a Eurocurrency Rate Advance, (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means (including, without limitation, by means of an Interpolated Rate) do not exist for ascertaining the Eurocurrency Rate for such Interest Period or (ii) the Required Lenders notify the Administrative Agent that the Eurocurrency Rate for any Interest Period for the Advance will not adequately and fairly reflect the cost to the Required Lenders of making, funding or maintaining their respective portion of the Eurocurrency Rate Advance for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) (x) the Borrower will, on the last day of the then existing Interest Period therefor prepay the Advance or (y) the Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration, and (B) the obligation of the Lenders to make the Advance as a Eurocurrency Rate Advance shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(i) have not arisen but either (w) the supervisor for the administrator of the Screen Rate has made a public statement that the administrator of the Screen Rate is insolvent (and there is no successor administrator that will continue publication of the Screen Rate), (x) the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Rate), (y) the supervisor for the administrator of the Screen Rate has made a public statement identifying a specific date after which the Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in

Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 2.08(c), only to the extent the Screen Rate for the applicable currency and such Interest Period is not available or published at such time on a current basis), any request from the Borrower to continue the Advance as a Eurocurrency Rate Advance shall be ineffective and the Advance shall automatically, on the last day of the then existing Interest Period therefor, be Converted to a Cost of Funds Rate Advance with an Interest Period of the same duration.

SECTION 2.09 [Reserved].

SECTION 2.10 Optional Prepayments of the Advance. The Borrower may, upon written notice to the Administrative Agent stating the proposed date and aggregate principal amount of the proposed prepayment, given not later than 10:00 A.M. (Tokyo time) three Business Days prior to the date (which date shall be a Business Day) of such proposed prepayment, and if such notice is given, the Borrower shall, prepay the outstanding principal amount of the Advance made to the Borrower in whole or ratably in part, and together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount of the Borrowing Minimum or a Borrowing Multiple in excess thereof and (ii) if any prepayment of a Eurocurrency Rate Advance is made on a date other than the last day of an Interest Period for such Eurocurrency Rate Advance, the Borrower shall also pay any amount owing pursuant to Section 9.04(c); and provided, further, that, subject to clause (ii) of the immediately preceding proviso, any such notice may state that such notice is conditioned upon the effectiveness of other credit facilities or the consummation of a specific transaction, in which case such notice may be revoked by the Borrower if such condition is not satisfied.

SECTION 2.11 Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), in each case after the date hereof (or with respect to any Lender (or the Administrative Agent), if later, the date on which such Lender (or the Administrative Agent) becomes a Lender (or the Administrative Agent)), there shall be any increase in the cost to any Lender or the Administrative Agent of agreeing to make or making, funding or maintaining the Advance (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes as to which such Lender is indemnified under Section 2.14, (ii) Excluded Taxes, or (iii) Other Taxes), then the Borrower shall from time to time, upon demand by such Lender or the Administrative Agent (with a copy of such demand to the Administrative Agent, if applicable), pay to the Administrative Agent for the account of such Lender (or for its own account, if applicable) additional amounts sufficient to compensate such Lender or the Administrative Agent for such increased cost as reasonably determined by such Lender or the Administrative Agent (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender or the Administrative Agent under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender or the Administrative Agent then reasonably determines to be relevant). A certificate describing such increased costs in reasonable detail delivered to the Borrower shall be conclusive and binding for all purposes, absent demonstrable error.

(b) If any Lender reasonably determines that compliance with any law or regulation or any directive, guideline or request from any central bank or other Governmental Authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not

having the force of law), in each case promulgated or given after the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), affects or would affect the amount of capital, insurance or liquidity required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital, insurance or liquidity is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, the Borrower shall, from time to time upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances as reasonably determined by such Lender (which determination shall be made in good faith (and not on an arbitrary or capricious basis) and consistent with similarly situated customers of the applicable Lender under agreements having provisions similar to this Section 2.11 after consideration of such factors as such Lender then reasonably determines to be relevant), to the extent that such Lender reasonably determines such increase in capital, insurance or liquidity to be allocable to the existence of such Lender's Advance or commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes, absent demonstrable error.

(c) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than six months prior to the date that such Lender notifies the Borrower of the change or circumstance giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the change or circumstance giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof. Any Lender making a claim for compensation under this Section 2.11 may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 9.07.

(d) Notwithstanding anything in this Section 2.11 to the contrary, for purposes of this Section 2.11, (A) the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder or in connection therewith or in implementation thereof, and (B) all requests, rules, guidelines and directions promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any similar or successor agency, or the United States or foreign regulatory authorities, in each case, pursuant to Basel III) shall be deemed to have been enacted following the date hereof (or with respect to any Lender, if later, the date on which such Lender becomes a Lender); provided that no Lender shall demand compensation pursuant to this Section 2.11(c) unless such Lender is making corresponding demands on similarly situated borrowers in comparable credit facilities to which such Lender is a party.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, (a) if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority, including without limitation, any agency of the European Union or similar monetary or multinational authority, asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make a Eurocurrency Rate Advance or to fund or maintain a Eurocurrency Rate Advance hereunder, (i) the Eurocurrency Rate Advance of such Lender will automatically, upon such notification, be Converted into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of such Lender to make a Eurocurrency Rate Advance or to Convert the Advance into a Eurocurrency Rate Advance shall be suspended until the Administrative Agent shall notify the Borrower and such Lender that the circumstances causing such suspension no longer exist and (b) if Lenders constituting the Required Lenders so notify the Administrative Agent, (i) the Eurocurrency Rate Advance of each Lender will automatically, upon such notification, Convert into a Cost of Funds Rate Advance with an Interest Period of one month and (ii) the obligation of each Lender to make a

Eurocurrency Rate Advance or to Convert the Advance into a Eurocurrency Rate Advance shall be suspended until the Administrative Agent shall notify the Borrower and each Lender that the circumstances causing such suspension no longer exist. Any Lender that is prohibited from performing its obligations to make the Advance or to continue to fund or maintain the Advance may be required to assign all of its rights and obligations hereunder upon a request by the Borrower in accordance with Section 9.07.

SECTION 2.13 Payments and Computations. (a) The Borrower shall make each payment required to be made by it under this Agreement not later than 11:00 A.M. (Tokyo time) on the day when due in Yen to the Administrative Agent at the applicable Administrative Agent's Office in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12(a) (or if applicable the last sentence of Section 2.12), 2.14, 2.15 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the assignor for amounts which have accrued to but excluding the effective date of such assignment and to the assignee for amounts which have accrued from and after the effective date of such assignment. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender by the Borrower is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due, unless otherwise agreed between the Borrower and such Lender.

(c) All computations of interest hereunder shall be made by the Administrative Agent on the basis of a year of 365 days and in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent demonstrable error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of the Advance made as a Eurocurrency Rate Advance to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(e) Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent, following prompt notice thereof, forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Cost of Funds Rate.

SECTION 2.14 Taxes. (a) Any and all payments by or on behalf of the Borrower under any Loan Document shall be made, in accordance with Section 2.13, free and clear of and without deduction for any Taxes, excluding, in the case of each Lender and the Administrative Agent, (i) taxes imposed on (or measured by) its overall net income (however denominated), franchise taxes, and branch profits taxes, in each case (A) imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or any political subdivision thereof, by the jurisdiction of the Administrative Agent's principal office or such Lender's Applicable Lending Office, as the case may be, or any political subdivision thereof or (B) that are Other Connection Taxes, (ii) with respect to a Lender that is not a Japanese tax resident or a Japanese branch of a non-Japanese tax resident and is not entitled to a full exemption on Japanese withholding tax on interest payments under a tax treaty entered into by Japan and that is in effect on the date specified in this clause (ii)(A)-(B) below, any Japanese withholding Taxes imposed by a Governmental Authority pursuant to a law in effect on the date on which (A) a Lender acquires such interest in an Advance or Commitment or, with respect to the Administrative Agent, the date that the Administrative Agent becomes a party to a Loan Document or (B) a Lender changes its Applicable Lending Office, except in each case to the extent that, pursuant to Section 2.14, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Applicable Lending Office, (iii) any Tax that is imposed (for the avoidance of doubt, including any Tax that is imposed at higher effective tax rate) by reason of such Lender's or the Administrative Agent's failure to comply with Section 2.14(f), and (iv) any withholding taxes imposed under FATCA (all such excluded Taxes in respect of payments under any Loan Document being hereinafter referred to as "Excluded Taxes"). If any Taxes from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent shall be required to be deducted or withheld under applicable law, (A) the Borrower shall be entitled to make such deductions or withholdings and (B) the Borrower shall pay the full amount deducted or withheld to the relevant taxation authority or other Governmental Authority in accordance with applicable law. If any Taxes other than Excluded Taxes shall be required to be deducted from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent, the sum payable by the Borrower shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made.

(b) In addition, without duplication of any other obligation set forth in this Section 2.14, the Borrower agrees to pay to the relevant taxing authority or Governmental Authority any present or future stamp and documentary Taxes and any other excise or property Taxes, charges or similar levies that arise from any payment made by it under any Loan Document or from the execution, delivery or registration of, or performance under, or otherwise with respect to, any Loan Document other than any such Taxes, charges or similar levies that are Other Connection Taxes imposed with respect to an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower) (such Taxes, charges or similar levies, hereinafter referred to as "Other Taxes").

(c) Without duplication of any other obligation set forth in this Section 2.14, the Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes (other than Excluded Taxes) and Other Taxes (except to the extent such Other Taxes are Other Connection Taxes imposed solely as a result of an assignment or the designation of a new Applicable Lending Office (other than an assignment or designation pursuant to a request by the Borrower)) imposed on or paid by such Lender or the Administrative Agent, as the case may be, in respect of the Advance made to the Borrower and any liability (including, without limitation, penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Administrative Agent, as the case may be, makes written demand therefor. Such Lender or the Administrative Agent shall deliver to the Borrower a certificate describing in reasonable detail the amount of such payment or liability.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Borrower to do so) and (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.07(e) relating to the maintenance of a Participant Register, in either case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate describing in reasonable detail the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) As soon as practical after the date of any payment of Taxes or Other Taxes for which the Borrower is responsible under this Section 2.14, the Borrower shall furnish to the Administrative Agent, at its address as specified in Schedule II, the original or a certified copy of a receipt evidencing payment thereof.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.14(f)(ii) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(1) Any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent executed originals of IRS Form W-9 (and any applicable successor form) and such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent certifying that such Lender is exempt from U.S. federal backup withholding tax. The forms described in this Section 2.14(f)(ii)(1) shall be provided by each Lender to the Borrower and the Administrative Agent at the time such Lender becomes a party to this Agreement, at the time or times prescribed by applicable Laws, when reasonably requested by the Borrower or the Administrative Agent, and promptly upon the obsolescence, invalidity or expiration of any form previously provided by such Lender;

(2) Any Lender that is neither a Japanese tax resident nor a Japanese branch of a non-Japanese tax resident shall provide, to the extent it is legally entitled to do so, the applicable documentation to claim the benefits of a tax treaty entered into by Japan, at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent;

(3) Any Lender that is a Japanese branch of a non-Japanese tax resident shall present, to the extent it is legally entitled to do so, a Certificate of Exemption for Withholding Tax for Foreign Corporations issued by the relevant tax authority in Japan pursuant to Article 180 of the Income Tax Act of Japan (*shotokuzeihou*) at the time or times prescribed by applicable Laws and when reasonably requested by the Borrower or the Administrative Agent.

(iii) If a payment made to a Lender under any Loan Document would be subject to withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower or the Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this clause 2.14(f)(ii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iv) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(v) Notwithstanding the foregoing, any Japanese Taxes resulting from the failure or legal inability of a Lender to provide any tax forms pursuant to Section 2.14(f)(i)-(ii) or (iv) shall be considered Excluded Taxes unless (x) such Taxes are imposed as a result of a change in law or treaty occurring after the date the Lender became a party to this Agreement or acquired its interest in a Loan or Commitment and would otherwise have not been treated as an Excluded Tax under Section 2.14(a) but for this Section 2.14(f)(v) or (y) such Taxes were grossed up with respect to the Lender's assignor immediately before such Lender became a party.

(g) In the event that an additional payment is made under Section 2.14(a) or 2.14(c) for the account of the Administrative Agent or any Lender and the Administrative Agent or such Lender, in its sole discretion exercised in good faith, determines that it has received a refund of any tax paid or payable by it in respect of or calculated with reference to the deduction or withholding giving rise to such additional payment (including by the payment of additional amounts pursuant to this Section 2.14), the Administrative Agent or such Lender shall pay to the Borrower such amount equal to such refund as the Administrative Agent or such Lender shall, in its reasonable discretion exercised in good faith, have determined is attributable to such deduction or withholding and will leave the Administrative Agent or such Lender (after such payment) in no worse position than it would have been had the Borrower not been required to make such deduction or withholding. The Borrower, upon the request of the Administrative Agent or such Lender, shall repay to the Administrative Agent or such Lender the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. Nothing contained in this Section 2.14(g) shall (i) interfere with the right of a Lender to arrange its tax affairs in whatever manner it thinks fit or (ii) oblige the Administrative Agent or any Lender to disclose any information relating to its tax returns, tax affairs or any computations in respect thereof or (iii) require any Lender to take or refrain from taking any action that would prejudice its ability to benefit from any other credits, reliefs, remissions or repayments to which it may be entitled.

(h) Each party's obligations under this Section 2.14 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under the Loan Documents.

- (i) For purposes of this Section 2.14, the term “applicable law” includes FATCA.

SECTION 2.15 Sharing of Payments, Etc. Subject to Section 2.19 in the case of a Defaulting Lender, if any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Advance owing to it (other than pursuant to Section 2.02(c), 2.07(c), 2.11, 2.12(a), 2.14 or 9.04(c)) in excess of its ratable share of payments on account of the Advance obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advance owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender’s ratable share (according to the proportion of (a) the amount of such Lender’s required repayment to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The provisions of this Section 2.15 shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from a Defaulting Lender) as in effect from time to time or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advance to any assignee or participant permitted hereunder.

SECTION 2.16 Use of Proceeds. The proceeds of the Advance shall be available, and the Borrower agrees that it shall apply such proceeds, solely towards Certain Funds Purposes.

SECTION 2.17 Evidence of Debt. (a) The Register maintained by the Administrative Agent pursuant to Section 9.07(d) shall include (i) the date and amount of the Borrowing made hereunder by the Borrower, the Type of Advance comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender’s share thereof.

(b) Entries made reasonably and in good faith by the Administrative Agent in the Register pursuant to subsection (a) above shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to each Lender under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit, expand or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.18 [Reserved].

SECTION 2.19 Defaulting Lenders.

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender (it being understood that the determination of whether a Lender is no longer a Defaulting Lender shall be made as described in Section 2.19(b)):

- (i) such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to Section 2.04(a);

(ii) [reserved];

(iii) to the fullest extent permitted by applicable law, such Lender will not be entitled to vote in respect of amendments and waivers hereunder, and the Commitment and the outstanding Advance of such Lender hereunder will not be taken into account in determining whether the Required Lenders or all of the Lenders, as required, have approved any such amendment or waiver (and the definition of “Required Lenders” will automatically be deemed modified accordingly for the duration of such period); provided that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, or alter the terms of this proviso, will require the consent of such Defaulting Lender; and

(iv) the Borrower may, at its sole expense and effort, require such Defaulting Lender to assign and delegate its interests, rights and obligations under this Agreement pursuant to Section 9.07.

(b) If the Borrower and the Administrative Agent agree in writing in their discretion that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender’s having been a Defaulting Lender.

(c) Any payment of principal, interest, fees or other amounts received by the Administrative Agent hereunder for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 6.01 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.05 shall be applied at such time or times as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second* as the Borrower may request (so long as no Default or Event of Default exists), to the funding of the Advance in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as reasonably determined by the Administrative Agent; *third*, as the Borrower may request, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender’s potential future funding obligations with respect to the Advance under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or otherwise pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

SECTION 2.20 Mitigation. (a) Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge that will result in, and will use reasonable commercial efforts available to it (and not, in such Lender’s good faith judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Borrower to pay any amount pursuant to Section 2.11

or 2.14 or (ii) the occurrence of any circumstance described in Section 2.12 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Borrower and the Administrative Agent). In furtherance of the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Borrower of) any event described in clause (i) or (ii) of the preceding sentence and such designation will not, in such Lender's good faith judgment, be otherwise disadvantageous to such Lender.

(b) Notwithstanding any other provision of this Agreement, if any Lender fails to notify the Borrower of any event or circumstance which will entitle such Lender to compensation pursuant to Section 2.11 within 180 days after such Lender obtains knowledge of such event or circumstance, then such Lender shall not be entitled to compensation from the Borrower for any amount arising prior to the date which is 180 days before the date on which such Lender notifies the Borrower of such event or circumstance.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effective Date. This Agreement shall become effective on and as of the first date on which the following conditions precedent have been satisfied (with the Administrative Agent acting reasonably in assessing whether the conditions precedent are satisfactory) (or waived in accordance with Section 9.01):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement and the other Loan Documents signed on behalf of such party or (ii) written evidence reasonably satisfactory to the Administrative Agent (which may include .pdf or facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) All fees and other amounts then due and payable by the Consolidated Group to the Administrative Agent, the Lead Arrangers, the Arranger and the Lenders under the Loan Documents or pursuant to any fee or similar letters relating to the Loan Documents shall be paid, to the extent invoiced by the relevant person at least one Business Day prior to the Effective Date and to the extent such amounts are payable on or prior to the Effective Date.

(c) The Administrative Agent shall have received on or before the Effective Date, each dated on or about such date:

(i) Certified copies of the resolutions or similar authorizing documentation of the governing bodies of the Borrower authorizing such Person to enter into and perform its obligations under the Loan Documents to which it is a party;

(ii) Certified copies of the Borrower's articles of incorporation, certificate of incorporation and bylaws (or comparable organizational documents) and any amendments thereto;

(iii) A certificate of the Borrower attaching a certificate of commercial registry (*rireki jikou zenbu shomeisho*) of the Borrower issued by a Legal Affairs Bureau and certifying that all information required to be registered under the laws of Japan has been registered in the commercial registry;

(iv) A customary certificate of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder; and

(v) A favorable opinion letter of each of (i) Linklaters LLP and (ii) Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(d) [reserved].

(e) The Administrative Agent shall have received a copy, certified by the Borrower, of the Original Scheme Press Release.

(f) The Administrative Agent shall have received, at least 3 Business Days prior to the Effective Date, so long as requested no less than 10 Business Days prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended) and the Patriot Act, in each case relating to the Borrower and its Subsidiaries, including the Borrower.

(g) The Administrative Agent shall have received a letter from the Service of Process Agent indicating its consent to its appointment by the Borrower as its agent to receive service of process as specified in this Agreement, and confirming that such appointment is in full force and effect and applies to this Agreement in all respects.

(h) The Lead Arrangers and the Arranger shall have received a copy of the Disclosure Letter, it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Disclosure Letter.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date in writing promptly upon such conditions precedent being satisfied (or waived in accordance with Section 9.01), and such notice shall be conclusive and binding.

SECTION 3.02 Conditions Precedent to Closing Date. Subject to Section 3.04, the obligation of each Lender to make an Advance on the Closing Date is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

(a) The Effective Date shall have occurred.

(b) If the Target Acquisition is effected by way of a Scheme, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Scheme Circular was posted to the shareholders of the Target;

(2) the date on which the Court has sanctioned the Scheme and that the Court Order has been duly delivered to the Registrar in accordance with Article 125(3) of the Jersey Companies Law;

(3) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(4) the Target Acquisition shall have been, or, within the time period permitted by the City Code, shall be, consummated in all material respects in accordance with the terms and conditions of the Scheme Documents except to the extent not prohibited by the Loan Documents; and

(5) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or to the extent not prohibited by the Loan Documents; and

(ii) a copy of the Scheme Circular which is consistent in all material respects with the terms and conditions in the Scheme Press Release and the Scheme Resolutions, in each case, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or are not prohibited by the Loan Documents.

(c) If the Target Acquisition is effected by way of a Takeover Offer, the Administrative Agent shall have received:

(i) a certificate of the Borrower signed by a director certifying:

(1) the date on which the Takeover Offer Document was posted to the shareholders of the Target;

(2) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;

(3) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or are not prohibited by the Loan Documents; and

(4) that the Takeover Offer has been declared unconditional in all respects without any material amendment, modification or waiver of the conditions to the Takeover Offer or of the Acceptance Condition except to the extent not prohibited by the Loan Documents; and

(ii) a copy of the Takeover Offer Document which is consistent in all material respects with the terms and conditions in the Offer Press Announcement, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or a court of competent jurisdiction or are permitted under the Loan Documents.

(d) On the date of the applicable borrowing request and on the proposed date of such borrowing (x) no Certain Funds Default is continuing or would result from the proposed Borrowing and (y) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

(e) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.

(f) The Administrative Agent shall have received a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower and its Subsidiaries as of and for the

twelve-month period ending on the last day of the most recently completed four- fiscal quarter period ended at least 45 days prior to the Closing Date, prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such statement of income) (the “Pro Forma Financials”), it being acknowledged that neither the Administrative Agent nor any Lender shall have any approval right as regards the form or contents of the Pro Forma Financials).

(g) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advance or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make the Advance hereunder.

The Administrative Agent shall notify the Borrower and the Lenders of the Closing Date as soon as practicable upon its occurrence, and such notice shall be conclusive and binding.

SECTION 3.03 Conditions to the Advance after the Closing Date. The obligation of each Lender to make the Advance on any date after the Closing Date and during the Availability Period is subject to the satisfaction (or waiver in accordance with Section 9.01) of the following conditions:

(a) Each of the Effective Date and the Closing Date shall have occurred.

(b) The Administrative Agent shall have received a Notice of Borrowing in accordance with Section 2.02.

(c) On the date of the applicable borrowing request and on the proposed date of such borrowing (i) no Certain Funds Default is continuing or would result from the proposed Borrowing and (ii) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

(d) [reserved].

(e) It is not illegal for any Lender to lend and there is no injunction, restraining order or equivalent prohibiting any Lender from lending its portion of the Advance or restricting the application of the proceeds thereof; provided that such Lender has used commercially reasonable efforts to make the Loans through an Affiliate of such Lender not subject to such legal restriction; provided further, that the occurrence of such event in relation to one Lender shall not relieve any other Lender of its obligations to make the Advance hereunder.

SECTION 3.04 Actions by Lenders During the Certain Funds Period. During the Certain Funds Period and notwithstanding (i) any provision to the contrary in the Loan Documents or (ii) that any condition set out in Sections 3.01, 3.02 or 3.03 may subsequently be determined to not have been satisfied or any representation given was incorrect in any material respect, none of the Lenders nor the Administrative Agent shall, unless a Certain Funds Default has occurred and is continuing or would result from a proposed borrowing or a Certain Funds Representation remains incorrect or, if a Certain Funds Representation does not include a materiality concept, incorrect in any material respect, be entitled to:

(i) cancel any of its Commitments;

- (ii) rescind, terminate or cancel the Loan Documents or the Commitments or exercise any similar right or remedy or make or enforce any claim under the Loan Documents it may have to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;
- (iii) refuse to participate in the making of an Advance for Certain Funds Purposes unless the conditions set forth in Section 3.02 or, after the Closing Date, 3.03, as applicable, have not been satisfied;
- (iv) exercise any right of set-off or counterclaim in respect of an Advance to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes; or
- (v) cancel, accelerate or cause repayment or prepayment of any amounts owing under any Loan Document to the extent to do so would prevent or limit (A) the making of an Advance for Certain Funds Purposes or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;

provided that immediately upon the expiry of the Certain Funds Period all such rights, remedies and entitlements shall be available to the Lenders and the Administrative Agent notwithstanding that they may not have been used or been available for use during the Certain Funds Period.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants on the Effective Date and the date of the making of the Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to the Advance are solely those set out in Sections 3.02 and 3.03, as applicable) as follows:

(a) The Borrower is duly organized, validly existing and in good standing (to the extent that such concept exists) under the laws of its jurisdiction of organization.

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, (i) are within the Borrower's organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (A) the Borrower's charter, articles of incorporation or by-laws or other organizational documents or (B) any law, regulation or contractual restriction binding on or affecting the Borrower and (iv) will not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Consolidated Group (other than Liens created or required to be created pursuant to the terms hereof), except, in the case of clause (iii)(B) and (iv), as would not be reasonably expected to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated hereby, other than (i) the Panel, as directed by the Panel pursuant to the requirements of the City Code, anti-trust regulators, as directed by anti-trust regulators, as contemplated by the Scheme Documents or (as the case may be) the Takeover Offer Documents or as is obtained by the time required and (ii) the Bank of Japan with respect to post-facto filings that may be required under the Foreign Exchange Act in connection with the performance of this Agreement.

(d) This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower. This Agreement and the other Loan Documents are legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(e) The Borrower has heretofore furnished to the Lenders (i) its consolidated balance sheet at March 31, 2018 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended March 31, 2018, in each case reported on by KPMG AZSA LLC, independent public accountants and (ii) the consolidated balance sheet of the Target as December 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended December 31, 2017. Such financial statements (to the Borrower's knowledge with respect to the financial statements of the Target) present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Borrower and the Target, as applicable, and their respective consolidated Subsidiaries as of such dates and for such periods in accordance with IFRS and GAAP, as applicable, except as may be indicated in the notes thereto and subject to year-end audit adjustments and the absence of footnotes in the case of unaudited financial statements.

(f) There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), affecting the Consolidated Group pending or, to the knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, (a) would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Consolidated Group taken as a whole (other than the litigation set forth in the Disclosure Letter) or (b) would adversely affect the legality, validity and enforceability of any material provision of this Agreement in any material respect.

(g) Following application of the proceeds of the Advance, not more than 25 percent of the value of the assets of the Borrower and of the Consolidated Group, on a Consolidated basis, subject to the provisions of Section 5.02(a) will be Margin Stock. No part of the proceeds of the Advance have been used or will be used for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X of the Board.

(h) All written information (other than the Projections) concerning the Borrower, the Target and their Subsidiaries and the transactions contemplated hereby or otherwise prepared by or on behalf of the Borrower and its Subsidiaries and furnished to the Agents or the Lenders in connection with the negotiation of, or pursuant to the terms of, this Agreement when taken as a whole (and with respect to information regarding the Target Group, to the Borrower's knowledge), was true and correct in all material respects as of the date when furnished by such Person to the Agents or the Lenders and did not, taken as a whole, when so furnished contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not misleading in light of the circumstances under which such statements were made. The Projections and estimates and information of a general economic nature prepared by or on behalf of the Borrower or its Subsidiaries and that have been furnished by such Person to any Lenders or the Administrative Agent in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by such Person to be reasonable as of the date of such Projections (it being understood that actual results may vary materially from the Projections).

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect.

(j) [reserved].

(k) Neither the Borrower nor any ERISA Affiliate (i) is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan or has incurred any Withdrawal Liability that has not been satisfied in full or (ii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or has been determined to be in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA), and no such Multiemployer Plan is reasonably expected to be in reorganization or in “endangered” or “critical” status.

(l) (i) The operations and properties of the Consolidated Group comply, and have complied for the previous three years, in all respects with all applicable Environmental Laws and Environmental Permits except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (ii) all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without any ongoing obligations or costs except to the extent that such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (iii) to the Borrower’s knowledge, no circumstances exist that would be reasonably expected to (A) form the basis of an Environmental Action against a member of the Consolidated Group or any of its properties that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(m) (i) None of the properties currently or formerly owned or operated by a member of the Consolidated Group is listed or formally proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list; (ii) to the Borrower’s knowledge, there are no, and never have been any, underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any property currently owned or operated by any member of the Consolidated Group or, to the Borrower’s knowledge, on any property formerly owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (iii) to the Borrower’s knowledge, there is no asbestos or asbestos-containing material on any property currently owned or operated by a member of the Consolidated Group the mitigation of which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and (iv) to the Borrower’s knowledge, no Hazardous Materials have been released, discharged or disposed of on any property currently or formerly owned, leased or operated by a member of the Consolidated Group for which a member of the Consolidated Group could be expected to be made liable to remediate under Environmental Law except in each case as would not have a Material Adverse Effect.

(n) No member of the Consolidated Group is undertaking either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and, to the Borrower’s knowledge, all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by a member of the Consolidated Group, or any offsite locations to which a member of the Consolidated Group sent Hazardous Materials for treatment or disposal, have been disposed of in a manner that, either individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(o) The Borrower is not an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

(p) The Advance and all related obligations of the Borrower under this Agreement rank pari passu with all other unsecured obligations of the Borrower that are not, by their terms, expressly subordinate to the obligations of the Borrower hereunder.

(q) The proceeds of the Advance will be used in accordance with Section 2.16.

(r) The Borrower has implemented and maintains in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and directors and to the knowledge of the Borrower its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (i) the Borrower, any Subsidiary, any of their respective directors or officers or to the knowledge of the Borrower or such Subsidiary employees, or (ii) to the knowledge of the Borrower, any agent of the Borrower or any agent of any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

(s) No Borrowing or use of proceeds thereof or the Transactions will violate any applicable Anti-Corruption Law or applicable Sanctions.

(t) The Borrower has delivered to the Administrative Agent a complete and correct copy of the Scheme Documents (if and when issued) or, as the case may be, the Offer Documents (if and when issued), including all schedules and exhibits thereto. The release of the Offer Press Announcement and the posting of the Takeover Offer Documents if a Takeover Offer is pursued has been or will be, prior to their release or posting (as the case may be) duly authorized by the Borrower. Each of the material obligations of the Borrower under the Takeover Offer Documents is or will be, when entered into and delivered, the legal, valid and binding obligation of the Borrower, enforceable against such Persons in accordance with its terms in each case, except as may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the rights and remedies of creditors generally and (ii) general principles of equity.

(u) The Scheme Press Release and the Scheme Circular (in each case if and when issued) when taken as a whole: (i) except for the information that relates to the Target or the Target Group, do not (or will not if and when issued) contain (to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case)) any statements which are not in accordance with the material facts, or where appropriate, do not omit anything likely to affect the import of such information and (ii) contain all the material terms of the Scheme.

(v) If the Target Acquisition is effected by way of a Scheme, each of the Scheme Documents complies in all material respects with the Jersey Companies Law and the City Code, subject to any applicable waivers by or requirements of the Panel.

(w) The Borrower is not an EEA Financial Institution.

SECTION 4.02 Representations and Warranties of the Lenders and the Borrower. Each of the Borrower and each Lender represents and warrants on the Effective Date and the date of the making of the Advance (it being understood the conditions to the Effective Date are solely those set out in Section 3.01 and the conditions to the Advance are solely those set out in Sections 3.02 and 3.03, as applicable) that it is not classified, does not belong to nor is it associated with an Anti-Social Group, does not have an Anti-Social Relationship and has not engaged in Anti-Social Conduct, whether directly or indirectly through a third party.

ARTICLE V
COVENANTS

SECTION 5.01 Affirmative Covenants. So long as any portion of the Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. (i) Comply, and cause each member of the Consolidated Group to comply, with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, compliance with ERISA and Environmental Laws), except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, and (ii) maintain in effect and enforce policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(b) Payment of Taxes, Etc. Pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon a member of the Consolidated Group or upon the income, profits or property of a member of the Consolidated Group, in each case except to the extent that (i) the amount, applicability or validity thereof is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with applicable accounting standards have been provided or (ii) the failure to pay such taxes, assessments and charges, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) Maintenance of Insurance. Except where the failure to do so would reasonably be expected to result in a Material Adverse Effect, maintain, and cause each member of the Consolidated Group to maintain, insurance with responsible and reputable insurance companies or associations (or pursuant to self-insurance arrangements) in such amounts (after giving effect to any self-insurance which the Borrower believes (in the good faith judgement of management of the Borrower) is reasonable and prudent in light of the size and nature of its business) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which any member of the Consolidated Group operates.

(d) Preservation of Existence, Etc. Do, or cause to be done, all things necessary to preserve and keep in full force and effect its (i) existence and (ii) rights (charter and statutory) and franchises; provided, however, that the Borrower may consummate any merger or consolidation permitted under Section 5.02(b); and provided further that the Borrower shall not be required to preserve any such right or franchise if the management of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time during normal business hours (but not more than once annually if no Event of Default has occurred and is continuing), upon no less than ten (10) days' prior notice to the Borrower, permit the Administrative Agent or any of the Lenders, or any agents or representatives thereof coordinated through the Administrative Agent, to examine and make copies of and abstracts from the records and books of account, and visit the properties, of the Consolidated Group, and to discuss the affairs, finances and accounts of the Consolidated Group with any of the members of the senior treasury staff of the Borrower.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Consolidated Group sufficient to permit the preparation of financial statements in accordance with IFRS.

(g) Maintenance of Properties, Etc. Cause all of its properties that are used or useful in the conduct of its business or the business of any member of the Consolidated Group to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, except, in each case, where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(h) [reserved].

(i) Reporting Requirements. Furnish to the Administrative Agent for further distribution to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Consolidated Group as of the end of such quarter and Consolidated statements of income and cash flows of the Consolidated Group for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified by the Chief Financial Officer or the Treasurer of the Borrower as having been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments);

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Consolidated Group, containing a Consolidated balance sheet of the Consolidated Group as of the end of such fiscal year and Consolidated statements of income and cash flows of the Consolidated Group for such fiscal year, in each case accompanied by an unqualified opinion or an opinion reasonably acceptable to the Required Lenders by KPMG AZSA LLC or other independent public accountants of recognized national standing;

(iii) simultaneously with each delivery of the financial statements referred to in subclauses (i)(i) and (i)(ii) of this Section 5.01, a certificate of the Chief Executive Officer, Chief Financial Officer or the Treasurer of the Borrower in substantially the form of Exhibit C hereto certifying that no Default or Event of Default has occurred and is continuing (or if such event has occurred and is continuing the actions being taken by the Borrower to cure such Default or Event of Default), including, if such covenant is tested at such time, setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03;

(iv) as soon as possible and in any event within five days after any Responsible Officer of the Borrower shall have obtained knowledge of the occurrence of each Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders, in their capacity as such, and copies of all reports and registration statements that members of the Consolidated Group file with the Prime Minister of Japan through the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange;

(vi) promptly after a Responsible Officer of the Borrower obtains knowledge of the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, governmental agency or arbitrator affecting the Consolidated Group of the type described in

Section 4.01(f)(b) subject, in each case, to any confidentiality, legal or regulatory restrictions relating to the supply of such information;

(vii) at any time following the Effective Date, if the Borrower has incurred any other subordinated Debt of the same priority as the Yen HYB Loans (including issuance of any Yen HYB Bonds), the Borrower shall promptly notify the Agent and all the Lenders of the fact thereof (including without exception the date of incurrence, the amount of incurrence, whether it constitutes equity, etc.); and

(viii) such other information respecting the Consolidated Group as any Lender through the Administrative Agent may from time to time reasonably request.

The Borrower shall be deemed to have delivered the financial statements and other information referred to in paragraphs (i), (ii) and (v) above when such financial statements and other information have been posted on the Borrower's internet website or the website of the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange (in each case, to the extent such website is accessible by the Lenders without charge) and the Borrower has notified the Administrative Agent. If the Administrative Agent requests hard copies of such financial statements and other information, the Borrower shall furnish these to the Administrative Agent provided that no request shall affect that delivery has deemed to occur in accordance with the immediately preceding sentence.

(j) The Scheme and Related Matters. To the extent applicable, the Borrower shall or it shall procure that the applicable members of the Consolidated Group shall:

(i) [reserved].

(ii) Provide evidence that a Scheme Circular is issued and dispatched as soon as is reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Original Scheme Press Release unless, during that period the Borrower has elected to convert the Target Acquisition from a Scheme to a Takeover Offer, in which case the Takeover Offer Document shall be issued and dispatched as soon as reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Offer Press Announcement.

(iii) Comply in all material respects with the City Code (subject to any waivers or dispensations granted by the Panel or the Court) and all other applicable laws and regulations in relation to any Takeover Offer or Scheme.

(iv) Except as consented to by the Lead Arrangers and the Arranger in writing (such consent not to be unreasonably withheld, delayed or conditioned) and save to the extent that following the issue of a Scheme Press Release or an Offer Press Announcement the Borrower elects to proceed with the Target Acquisition by way of Takeover Offer or Scheme respectively, ensure that (i) if the Target Acquisition is effected by way of a Scheme, the Scheme Circular corresponds in all material respects to the terms and conditions of the Scheme as contained in the Scheme Press Release to which it relates or (ii) if the Target Acquisition is effected by way of a Takeover Offer, the Takeover Offer Document corresponds in all material respects to the terms and conditions of the Takeover Offer as contained in the corresponding Offer Press Announcement, subject to any variation required by the Court and to any variations required by the Panel or which are not materially adverse to the interests of the Lenders (or where the prior written consent of the Lead Arrangers and the Arranger has been given).

(v) Ensure that the Scheme Documents or, if the Target Acquisition is effected by way of a Takeover Offer, the Offer Documents, provided to the Lead Arrangers and the Arranger contain all the material terms and conditions of the Scheme or Takeover Offer, as at that date, as applicable.

(vi) Not make or approve any increase in the proposed amount of cash consideration payable per Target Share or make any other acquisition of any Target Share (including pursuant to a Takeover Offer) at a price that results in an increase in the cash consideration payable per Target Share stated in the Original Scheme Press Release, unless such modification in price is not materially adverse to the interests of the Lenders (or where the prior written consent of the Lead Arrangers and the Arranger has been given).

(vii) Except as consented to by the Lead Arrangers and the Arranger in writing in the event that the matter is material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed, or conditioned), not (i) amend or waive any term of the Scheme Documents or the Takeover Offer Documents, as applicable, in a manner materially adverse to the interests of the Lenders from those in the Original Scheme Press Release, or (ii) if the Target Acquisition is proceeding as a Takeover Offer, amend or waive the Acceptance Condition, save for, (A) in the case of clause (i), any amendment or waiver required by the Panel, the City Code, a court or any other applicable law, regulation or regulatory body, (B) in the case of clause (ii), a waiver of the Acceptance Condition to permit the Takeover Offer to become unconditional with acceptance of Target Shares (excluding any shares held in treasury) which, when aggregated with all Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury) as at the date on which the Takeover Offer is declared unconditional as to acceptances, (C) in the case of clause (i) and any condition detailed in the Original Scheme Press Release, any waiver of a condition, which such condition would not have entitled the Borrower to lapse the Scheme or Takeover Offer (as the case may be) under rule 13.5(a) of the Takeover Code or (D) an extension of the Long Stop Date (as defined in the Original Scheme Press Release) in the event that any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Offer Press Announcement) has not been satisfied by the date falling 12 months after the Bridge Facility Effective Date.

(viii) Not take any action which would require the Borrower to make a mandatory offer for the Target Shares in accordance with Rule 9 of the City Code.

(ix) Provide the Administrative Agent with copies of each Offer Document or Scheme Document (as applicable) and such information as it may reasonably request regarding, in the case of a Takeover Offer, the current level of acceptances subject to any confidentiality, legal, regulatory or other restrictions relating to the supply of such information.

(x) Promptly deliver to the Administrative Agent the receiving agent certificate issued under Rule 10 of the City Code (if the Target Acquisition is being pursued pursuant to a Takeover Offer), any written agreement between the Borrower or its Affiliates and Target to the extent material to the interests of the Lenders (as reasonably determined by the Borrower) in relation to the consummation of the Target Acquisition (in each case, upon such documents or agreements being entered into by a member of the Consolidated Group), and all other material announcements and documents published by the Borrower or delivered by the Borrower to the Panel pursuant to the Takeover Offer or Scheme (other than the cash confirmation) and all legally binding agreements entered into by the Borrower in connection with a Takeover Offer or Scheme, in each case to the extent the Borrower, acting reasonably, anticipates they will be material to the interests of the Lenders in connection with the Transactions, except to the extent it is prohibited by legal (including contractual) or regulatory obligations from doing so.

(xi) In the event that a Scheme is switched to a Takeover Offer or vice versa, (which the Borrower shall be entitled to do on multiple occasions provided that it complies with the terms of this Agreement), (i) within the applicable time periods provided in the definition of “Mandatory Cancellation Event”, procure that an Offer Press Announcement or Scheme Press Release, as the case may be, is issued, and (ii) except as consented to by the Lead Arrangers and the Arranger in writing where such matters are material to the interests of the Lenders (such consent not to be unreasonably withheld, delayed or conditioned), ensure that (A) where the Target Acquisition is then proceeding by way of a Takeover Offer, the terms and conditions contained in the Offer Document include the Acceptance Condition and (B) except for any reference in the Scheme Documents to the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of the Target, the conditions to be satisfied in connection with the Target Acquisition and contained in the Offer Documents or the Scheme Documents (whichever is applicable) are otherwise consistent in all material respects with those contained in the Offer Documents or Scheme Documents (whichever applied to the immediately preceding manner in which it was proposed that the Target Acquisition would be effected) (to the extent applicable for the legal form of a Takeover Offer or Scheme, as the case may be), in each case other than (i) in the case of clause (B), any changes permitted or required by the Panel or the City Code or any court of competent jurisdiction or are required to reflect the change in legal form to a Takeover Offer or Scheme or (ii) changes that could have been made to the Scheme or a Takeover Offer in accordance with the relevant provisions of this Agreement or which reflect the requirements of the terms of this Agreement and the manner in which the Target Acquisition may be effected, including, without limitation, changes to the price per Target Share which are made in accordance with the relevant provisions of this Agreement or any other agreement between the Borrower and the Lead Arrangers and the Arranger.

(xii) In the case of a Takeover Offer, (i) not declare the Takeover Offer unconditional as to acceptances until the Acceptance Condition has been satisfied and (ii) promptly upon the Borrower acquiring Target Shares which represent not less than 90% in nominal value of the Target Shares to which the Takeover Offer relates or, if the Takeover Offer relates to Target Shares of different classes, not less than 90% in nominal value of the shares of any class to which the Takeover Offer relates, ensure that notices under Article 117 of the Jersey Companies Law in respect of Target Shares that the Borrower has not yet agreed to directly or indirectly acquire are issued.

(xiii) In the case of a Scheme, within 90 days of the Scheme Effective Date, and in relation to a Takeover Offer, within 90 days after the later of (i) the Closing Date and (ii) the date upon which the Borrower (directly or indirectly) owns and/or has agreed to own or acquire and has received valid acceptances (which have not been withdrawn or cancelled) of Target Shares (excluding any shares held in treasury) in respect of, which, when aggregated with all other Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury), procure that such action as is necessary is taken to de-list the Target Shares from the Official List of the Financial Conduct Authority and to cancel trading in the Target Shares on the main market for listed securities of the London stock exchange and as soon as reasonably practicable thereafter, and subject always to the Jersey Companies Law and any applicable listing rules, use its reasonable endeavors to re-register Target as a private limited company.

(xiv) Except as consented by the Lead Arrangers and the Arranger in writing, not give its consent with respect to any frustrating action of the Target pursuant to Rule 21.1(c)(ii) of the City Code.

(k) Use of Proceeds. The proceeds of the Advance will be used in accordance with the provisions of Section 2.16. No part of the proceeds of the Advance will be used, whether directly or indirectly, for any

purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. The Borrower will not request the Borrowing, and the Borrower shall not use, and the Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of the Borrowing (i) for payments to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, Japan, the United Kingdom or in a European Union member state or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

(l) Anti-Social Conduct; Anti-Social Groups. Each party hereto shall ensure that (i) it is not classified as an Anti-Social Group, nor shall any such party have any Anti-Social Relationship nor engage in any Anti-Social Conduct, whether directly or indirectly through a third party and (ii) it shall not make any claim against any other party hereto for any damages or losses suffered or incurred as a result of such other party exercising its rights under this Agreement as a result of any breach of this clause (l) or any misrepresentation in connection with Section 4.02.

(m) Pari Passu Ranking. Notwithstanding anything to the contrary contained herein or in any other provision of this Agreement, the Borrower shall ensure that the Advance and all related obligations of the Borrower under this Agreement rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

The Borrower hereby acknowledges that the Administrative Agent, the Lead Arrangers and/or the Arranger will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar secure electronic system (the "Platform").

Certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC"; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of the FIEA or United States Federal and state securities laws (provided, however, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 9.08); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designed "Public Side Information"; and (z) the Administrative Agent and the Lead Arrangers and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information." Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials "PUBLIC."

For purposes of the foregoing paragraph, with respect to the Borrower or its affiliates or securities, the term "material non-public information" shall include, without limitation (i) "material facts" (*juyo jijitsu*) as prescribed in Paragraph 2, Article 166 (Prohibited Acts of Corporate Insiders) of the FIEA and/or (iii) "issuer related information" (*hojin kankei jyouho*) as defined in Item 14, Paragraph 4, Article 1 of the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52 of August 6, 2007), meaning any information relating to the operation, business or asset of the Borrower which is material non-public information and, if it were made public, would likely to have an effect on the investment decision of the investors and any non-public information in relation to a launch or a cancellation of a TOB of shares of common stock of the Borrower.

SECTION 5.02 Negative Covenants. So long as any portion of the Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Incur, issue, assume or guarantee, or permit any member of the Consolidated Group to incur, issue, assume or guaranty, at any time, any Borrowed Debt secured by a Lien on any property or asset now owned or hereafter acquired by the Borrower or any member of the Consolidated Group (other than Unrestricted Margin Stock), without effectively providing that the Advance outstanding at such time (together with, if the Borrower shall so determine, any other Borrowed Debt of the Borrower or such member of the Consolidated Group existing at such time or thereafter created that is not subordinate to the Advance) shall be secured equally and ratably with (or prior to) such secured Borrowed Debt, so long as such secured Borrowed Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Borrowed Debt would not exceed \$2,500,000,000; provided, however, that this Section 5.02(a) shall not apply to, and there shall be excluded from secured Borrowed Debt in any computation under this Section 5.02(a), Borrowed Debt secured by:

(i) Liens on property of, or on any shares of stock or Borrowed Debt of, any Person existing at the time such Person becomes a member of the Consolidated Group;

(ii) Liens in favor of any member of the Consolidated Group;

(iii) Liens incurred in the ordinary course of business to secure the performance of tenders, statutory or regulatory obligations, surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(iv) Liens on property of a member of the Consolidated Group in favor of the United States or any State thereof, or any department, agency or instrumentality or political subdivision of the United States or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute;

(v) Liens on property (including that of the Target and its Subsidiaries), shares of stock or Borrowed Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction or improvement cost thereof or to secure any Debt incurred prior to, at the time of, or within 180 days after, the acquisition of such property or shares or Borrowed Debt or the completion of any such construction or improvement for the purpose of financing all or any part of the purchase price or construction or improvement cost thereof;

(vi) Liens existing on the Effective Date;

(vii) (x) bankers' Liens, rights of setoff, revocation, refund, chargeback or overdraft protection, and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower or any member of the Consolidated Group, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements and (y) Liens or rights of setoff against credit balances of the Borrower or any member of the Consolidated Group with credit card issuers or credit card processors or amounts owing by payment card issuers or payment card processors to Borrower or any member of the Consolidated Group in the ordinary course of business;

(viii) Liens arising from any monetization, securitization or other financing of accounts receivable or other receivables (including any related rights or claims) or in connection with factoring programs entered into in the ordinary course of business and consistent with past practice and on a non-recourse basis to the Borrower and its Subsidiaries; provided, that such Liens do not encumber any property or assets other than the accounts receivable or other receivables (including any related rights or claims) subject to such monetization, securitization, financing or factoring arrangement and any proceeds of the foregoing; provided, further, that the aggregate principal amount of the obligations secured by such Liens shall not exceed (x) prior to the Closing Date, \$750,000,000 or (y) on or after the Closing Date, \$1,500,000,000.

(ix) Liens incurred in connection with pollution control, industrial revenue or similar financing;

(x) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases, licenses, special assessments, rights of way covenants, conditions, restrictions and declarations on or with respect to the use of real property, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of the business of the Borrower or any member of the Consolidated Group; and

(xi) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Borrowed Debt secured by any Lien referred to in subclauses (i) through (x) of this Section 5.02(a); provided, that (i) such extension renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Debt that secured the Lien extended, renewed or replaced (plus improvements on such property) and (ii) the Borrowed Debt secured by such Lien at such time is not increased.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock) (whether now owned or hereafter acquired) to, any Person, or permit any member of the Consolidated Group to do so, except that:

(i) any member of (x) the Consolidated Group other than the Borrower may merge or consolidate with or into or (y) the Consolidated Group may dispose of assets to, in each case, any other member of the Consolidated Group;

(ii) the Borrower may merge with any other Person so long as (A) the Borrower is the surviving entity or (B) the surviving entity shall succeed, by agreement reasonably satisfactory in form and substance to the Required Lenders, to all of the businesses and operations of the Borrower and shall assume all of the rights and obligations of the Borrower under this Agreement and the other Loan Documents (it being understood that notwithstanding the foregoing, the consummation of the Transactions shall not be prohibited by this Section 5.02(b) or otherwise pursuant hereto);

(iii) any member of the Consolidated Group (other than the Borrower) may merge or consolidate with or into another Person, convey, transfer, lease or otherwise dispose of all or any portion of its assets so long as (A) the consideration received in respect of such merger, consolidation, conveyance, transfer, lease or other disposition is at least equal to the fair market value of such assets and (B) no Material Adverse Effect would reasonably be expected to result from such merger, consolidation, conveyance, transfer, lease or other disposition;

provided, in the cases of clause (i), (ii) and (iii) hereof, that no Default or Event of Default (or, during the Certain Funds Period, no Certain Funds Default) shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Change the Borrower's fiscal year-end from March 31 of each calendar year; provided that the Borrower may change its fiscal year-end to December 31 of each calendar year in connection with the Transactions.

(d) Change in Nature of Business. Make any material change in the nature of the business of the Consolidated Group, taken as a whole, from that carried out by the Borrower and its Subsidiaries (other than the Target and its Subsidiaries) on the Effective Date and by Target and its Subsidiaries on the Closing Date; it being understood that this Section 5.02(d) shall not prohibit (i) the Transactions or (ii) members of the Consolidated Group from conducting any business or business activities incidental or related to such business as carried on as of the Effective Date (in the case of the Borrower and its Subsidiaries other than the Target and its Subsidiaries) or as of the Closing Date (in the case of the Target and its Subsidiaries) or any business or activity that is reasonably similar or complementary thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

(e) Subsidiary Debt. Permit any of its Subsidiaries to create or suffer to exist any Borrowed Debt other than:

(i) Borrowed Debt existing on the Effective Date and disclosed to the Lenders prior to the date hereof (the "Existing Debt");

(ii) Borrowed Debt of any Person (including the Target or any of its Subsidiaries) that becomes a Subsidiary after the date hereof; provided that such Borrowed Debt exists at the time such Person becomes a Subsidiary of the Borrower and is not created in contemplation of or in connection with such Person becoming a Subsidiary of the Borrower;

(iii) Borrowed Debt of any Subsidiary owed to any member of the Consolidated Group;

(iv) Borrowed Debt secured by Liens of the type described in and to the extent permitted by Sections 5.02(a)(iii), (iv), (v), (ix) and (xi) (to the extent it applies to Borrowed Debt secured by Liens referred to in Sections 5.02(a)(iii), (iv), (v) or (ix));

(v) Borrowed Debt under ordinary course working capital or overdraft facilities;

(vi) Borrowed Debt consisting of commercial paper;

(vii) Borrowed Debt consisting of purchase money indebtedness; and

(viii) Borrowed Debt in an aggregate outstanding principal amount at any time not exceeding the greater of (x) \$2,500,000,000 and (y) 15% of Consolidated Tangible Assets (determined by reference to the financial statements most recently delivered pursuant to Section 5.01(i) (or prior to the first such delivery, the financial statements referred to in Section 4.01(e)));

For purposes of calculating the aggregate principal amount of the Consolidated Tangible Assets of the Borrower on any date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

SECTION 5.03 Financial Covenant. Consolidated Net Debt to Consolidated EBITDA. Beginning on the later of (i) the last day of the first fiscal half year ending at least one full fiscal quarter after the Closing Date (which, for the avoidance of doubt, shall be no later than March 31, 2020) and (ii)(A) if the fiscal year-end is December 31, June 30, 2019 or (B) if the fiscal year-end is March 31, September 30, 2019 and on the last day of each fiscal half year ending thereafter, the Borrower will not permit, as of the last day of any such fiscal half year (each such date, the “Testing Date”), the ratio of (x) Consolidated Net Debt at such time to (y) Consolidated EBITDA of the Borrower for the four consecutive fiscal quarter period ending as of such date to exceed the ratio level set forth in the applicable table below for such applicable Testing Date:

<u>Testing Date (if fiscal year-end is March 31)</u>	<u>Ratio Level</u>
September 30, 2019 (if the Closing Date occurs on or prior to June 30, 2019)	5.95 to 1.00
March 31, 2020 and September 30, 2020	5.35 to 1.00

<u>Testing Date (if fiscal year-end is December 31)</u>	<u>Ratio Level</u>
June 30, 2019 (if the Closing Date occurs on or prior to March 31, 2019) and December 31, 2019	5.95 to 1.00
June 30, 2020	5.35 to 1.00

If a Testing Date would have occurred in the fiscal quarter in which the Borrower changed its fiscal year-end to December 31 (the “Fiscal Year Change”) but does not because of such Fiscal Year Change, the last day of such fiscal quarter shall be a Testing Date notwithstanding the Fiscal Year Change.

Notwithstanding the foregoing, in the event that the Borrower incurs indebtedness in an amount no less than \$5,000,000,000 in connection with an Acquisition and the Borrower’s Public Debt Rating is equal to or higher than each of (x) Baa3 from Moody’s and (y) BBB- from S&P, then the Borrower shall be permitted on one (1) occasion during the term of this Agreement to allow the maximum ratio of Consolidated Net Debt to Consolidated EBITDA permitted pursuant to this Section 5.03 to be increased to 5.00 to 1.00 (if the then applicable required ratio level is lower than 5.00 to 1.00); provided that on the second Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Section 5.03 shall be 4.50 to 1.00 and on the fourth Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Section 5.03 shall be 4.00 to 1.00.

For purposes of calculating the aggregate principal amount of the Consolidated Net Debt of the Borrower on any such date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events (“Events of Default”) shall occur and be continuing:

- (a) The Borrower shall fail (i) to pay any principal of the Advance when the same becomes due and payable or (ii) to pay any interest on the Advance or make any payment of fees or other amounts payable under this Agreement within five Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or in any other Loan Document (or any of its officers or directors) in connection with this Agreement or in any certificate or other document furnished pursuant to or in connection with this Agreement, if any, in each case shall prove to have been incorrect in any material respect when made or deemed made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d)(i), 5.01(i)(iv), 5.01(j), 5.02(a), 5.02(b), 5.02(d), 5.03 or (ii) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(e) or clauses (i)-(iii) or (v)-(vii) of Section 5.01(i) if such failure shall remain unremedied for 10 Business Days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement, if any, in each case on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(d) The Borrower or any Significant Subsidiary shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal amount, or, in the case of any Hedge Agreement, having a maximum Agreement Value, of at least \$200,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Significant Subsidiary, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; it being understood and agreed that notwithstanding the foregoing, the delivery of a notice of prepayment by one or more lenders under the Existing Target Indebtedness as a result of the occurrence of the Target Acquisition will not result in an Event of Default under this clause (d); provided that this clause (d) will apply to the extent there is a failure to make any such prepayment when the same becomes due and payable; or

(e) The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of 60 days; or the Borrower or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this Section 6.01(e). With respect to the Borrower or any Significant Subsidiary organized under the laws of Japan, the following shall constitute an Event of Default: if (i) the Borrower makes an express declaration or implicit declaration of its inability to pay its debts to its creditors generally (*shiharai teishi*); (ii) a bank clearinghouse refuses to process the Borrower's checks (*tegata torihiki teishi shobun*); or densai.net Co., Ltd. (iii) an order is issued by a court for the attachment (whether preliminary or otherwise) or preservation of the Borrower's material property, estate or other right and is not discharged within sixty (60) days; (iv) a receiver or trustee is appointed for all or a portion of the property or estate of the Borrower; (v) an

involuntary petition for commencement of bankruptcy (*hasan*), corporate reorganization (*kaisha kosei*), civil rehabilitation (*minji saisei*), special liquidation (*tokubetsu seisan*) or similar proceedings are filed against the Borrower and are not discharged within sixty (60) days; (vi) the Borrower files a voluntary petition (including a petition filed by a director of the Borrower) to commence, or a court of competent jurisdiction approves an involuntary petition with respect to and commences the procedure of, any of the proceedings specified in subparagraph (v) above; (vii) a voluntary petition to commence a special conciliation proceeding (*tokutei choutei*); or (viii) the Borrower adopts a resolution for liquidation at a meeting of its shareholders; or

(f) Any one or more judgments or orders for the payment of money in excess of \$200,000,000 shall be rendered against a member of the Consolidated Group and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that, for purposes of determining whether an Event of Default has occurred under this Section 6.01(f), the amount of any such judgment or order shall be reduced to the extent that (A) such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (B) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, such judgment or order; or

(g) Any Person shall become an owner (*hoyusha*) or two or more Persons shall become joint owners (*kyodo hoyusha*) (in each case within the meaning of Articles 27-23 of the FIEA) of Voting Stock of the Borrower (or other securities convertible into or exchangeable for such Voting Stock) representing 50% or more of the combined voting power of all Voting Stock of the Borrower (as calculated pursuant to Article 27-23, Paragraph 4 of the FIEA); or

(h) One or more of the following shall have occurred or is reasonably expected to occur, which in each case would reasonably be expected to result in a Material Adverse Effect: (i) any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan; or (iii) the termination of a Multiemployer Plan; or

(i) This Agreement shall cease to be valid and enforceable against the Borrower (except to the extent it is terminated in accordance with its terms) or the Borrower shall so assert in writing;

then, and in any such event (subject to Section 3.04), the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make the Advance to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advance, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advance, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, (but for the avoidance of doubt, always subject to Section 3.04) that in the event of an Event of Default under Section 6.01(e), (A) the Commitment of each Lender shall automatically be terminated and (B) the Advance, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

Notwithstanding anything in this Agreement to the contrary, for a period commencing on the Closing Date and ending on the date falling 180 days after the Closing Date (the "Clean-up Date"), notwithstanding any other provision of any Loan Document, any breach of covenants, misrepresentation or other default which arises with

respect to the Target Group will be deemed not to be a breach of representation or warranty, a breach of covenant or an Event of Default, as the case may be, if:

- (i) it is capable of remedy and reasonable steps are being taken to remedy it;
- (ii) the circumstances giving rise to it have not knowingly been procured by or approved by the Borrower;
and
- (iii) it is not reasonably likely to have a Material Adverse Effect.

If the relevant circumstances are continuing on or after the Clean-up Date, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be, notwithstanding the above.

ARTICLE VII

THE AGENTS

SECTION 7.01 Authorization and Action. Each Lender hereby irrevocably appoints Sumitomo Mitsui Banking Corporation (or any branch or Affiliate thereof designated by it) to act on its behalf as the Administrative Agent hereunder and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article VII (other than the third sentence of Section 7.04) are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions (other than the third sentence of Section 7.04).

SECTION 7.02 Administrative Agent Individually . The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity as a Lender. Such Person and its Affiliates may accept deposits from, own securities of, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any member of the Consolidated Group or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 7.03 Duties of Administrative Agent; Exculpatory Provisions.

(a) The Administrative Agent’s duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature, and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein or in any other Loan Document. Without limiting the generality of the foregoing, the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in any other Loan Document); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 9.01 or 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until the Borrower or any Lender shall have given notice to the Administrative Agent describing such Default or Event of Default.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement or any other Loan Document or the information memorandum distributed in connection with the syndication of the Commitments and the Advance hereunder, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender, and each Lender confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

SECTION 7.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the Effective Date, the making of the Advance or the Closing Date that by its terms must be fulfilled to the satisfaction of a Lender, each Lender shall be deemed to have consented to, approved or accepted such condition unless (i) an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender prior to the occurrence of the Effective Date, the making of the Advance or the Closing Date, as applicable, and (ii) in the case of a condition to the making of an Advance, such Lender shall not have made available to the Administrative Agent such Lender’s ratable portion of such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each such sub agent and the Related Parties of the Administrative Agent and each such sub agent shall be entitled to the benefits of all provisions of this Article VII and Section 9.04 (as though such sub-agents were the “Administrative Agent” under this Agreement) as if set forth in full herein with respect thereto.

SECTION 7.06 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right (with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), to appoint a successor, which shall be a bank with an office in the United States or Tokyo, or an Affiliate of any such bank with an office in the United States or Tokyo. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Lenders (and with the consent of the Borrower, provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (ii) except for any indemnity payments owed to the retiring Administrative Agent, all payments, communications and determinations to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent (other than any rights to indemnity payments owed to the retiring Administrative Agent), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent’s resignation hereunder and under the other Loan Documents, the provisions of this Article VII and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 7.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges and agrees that the extensions of credit made hereunder are commercial loans and not investments in a business enterprise or securities. Each Lender further represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and has, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any other Lender and their respective Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold the Advance hereunder. Each Lender shall, independently and without reliance upon the Administrative Agent, any arranger of the credit facilities evidenced by this Agreement or any amendment thereof or any other Lender and their respective Related Parties and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder and in deciding whether or to the extent to which it will continue as a Lender or assign or otherwise transfer its rights, interests and obligations hereunder. Nothing in this Agreement shall oblige the Administrative Agent to conduct any “know your customer” or other procedures in relation to any Person or any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender, on behalf of any Lender and each Lender confirms to the Administrative Agent that it is solely responsible for any such procedures or check it is required to conduct and that it shall not rely on any statement in relation to such procedures or check made by the Administrative Agent.

SECTION 7.08 Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advance made by each of them (or, if the Advance is not at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, in each case, acting in the capacity of Administrative Agent; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Administrative Agent is not promptly reimbursed for such expenses by the Borrower.

SECTION 7.09 Other Agents. None of the Lenders identified on the facing page or signature pages of this Agreement as an "arranger" or "book runner" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE VIII

[RESERVED]

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc.

(a) Except as provided in Section 2.08(c), no amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing, do any of the following:

(i) waive any of the conditions specified in Section 3.01, 3.02 or 3.03 unless signed by each Lender directly and adversely affected thereby;

(ii) increase or extend the Commitments of a Lender or subject a Lender to any additional obligations, unless signed by such Lender;

(iii) reduce the principal of, or stated rate of interest on, the Advance, the stated rate at which any fees hereunder are calculated or any other amounts payable hereunder, unless signed by each

Lender directly and adversely affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend the definition of “Default Interest” or to waive any obligation of the Borrower to pay Default Interest (except that no amendment entered into pursuant to the terms of Section 2.08(c) shall constitute a reduction in the rate of interest or fees for purposes of this clause (ii));

(iv) postpone any date fixed for any payment of principal of, or interest on, the Advance or any fees or other amounts payable hereunder, unless signed by each Lender directly and adversely affected thereby;

(v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advance, or the number of Lenders, that, in each case, shall be required for the Lenders or any of them to take any action hereunder, unless signed by all Lenders; or

(vi) amend this Section 9.01, unless signed by all Lenders.

and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement. Notwithstanding the foregoing, the Administrative Agent and the Borrower may amend any Loan Document to correct any errors, mistakes, omissions, defects or inconsistencies, or to effect administrative changes that are not adverse to any Lender, and such amendment shall become effective without any further consent of any other party to such Loan Document other than the Administrative Agent and the Borrower.

(b) [reserved].

(c) If, in connection with any proposed amendment, waiver or consent requiring the consent of “all Lenders,” “each Lender” or “each Lender directly and adversely affected thereby,” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a “Non-Consenting Lender”), then the Borrower may elect to replace a Non-Consenting Lender as a Lender party to this Agreement; provided that, concurrently with such replacement, (i) another bank or other entity (which is reasonably satisfactory to the Borrower and the Administrative Agent) shall agree, as of such date, to purchase at par for cash the Advance and other obligations under the Loan Documents due to the Non-Consenting Lender pursuant to an Assignment and Acceptance and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date, and (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement all principal, interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower to and including the date of termination. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Acceptance executed by the Borrower, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Acceptance by reference pursuant to an approved electronic platform as to which the Administrative Agent and such parties are participants), and (b) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

SECTION 9.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be in writing (including telecopier) and mailed, telecopied or hand delivered, if to the Borrower or the

Administrative Agent, to the address or telecopier number specified for such Person on Schedule II; or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall be effective three Business Days after being deposited in the mails, postage prepaid, or upon confirmation of receipt (except that if electronic confirmation of receipt is received at a time that the recipient is not open for business, the applicable notice or communication shall be effective at the opening of business on the next business day of the recipient), respectively, except that notices and communications to the Administrative Agent pursuant to Article II, III or VII shall not be effective until received by the Administrative Agent. Delivery by telecopier or other electronic communication of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) THE PLATFORM IS PROVIDED “AS IS” AND “AS AVAILABLE.” THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the “Agent Parties”) have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower’s or the Administrative Agent’s transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(c) Each Lender agrees that notice to it (as provided in the next sentence) (a “Notice”) specifying that any communication has been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement. Each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number and telecopier number to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the “Private Side Information” or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender’s compliance procedures and applicable Law, including United States federal and state securities Laws, to make reference to Borrower Materials that are not made available through the “Public Side Information” portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States federal or state securities laws.

(d) With respect to notices and other communications hereunder from the Borrower to any Lender, the Borrower shall provide such notices and other communications to the Administrative Agent, and the Administrative Agent shall promptly deliver such notices and other communications to any such Lender in accordance with subsection (b) above or otherwise.

SECTION 9.03 No Waiver; Remedies. No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any

single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

SECTION 9.04 Costs and Expenses. (a) The Borrower agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of each Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement and the other documents to be delivered hereunder, including, (i) due diligence expenses, syndication expenses, travel expenses and (ii) the reasonable and documented out-of-pocket fees, charges and expenses of a single primary counsel (and one local counsel in each relevant jurisdiction) for the Administrative Agent with respect thereto and with respect to advising the Agents as to their respective rights and responsibilities under this Agreement. The Borrower further agrees to pay, upon demand, all reasonable and documented out-of-pocket costs and expenses of the Agents and the Lenders, if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder, including, without limitation, reasonable and documented out-of-pocket fees and expenses of a single primary counsel and an additional single local counsel in any relevant jurisdictions for the Agents and the Lenders and, solely in the case of an actual or perceived conflict of interest where the Agents notify the Borrower of the existence of such conflict in writing, one additional counsel, in connection with the enforcement of rights under this Agreement.

(b) The Borrower agrees to indemnify and hold harmless each Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against any and all claims, damages, losses, penalties, liabilities and expenses (provided, that, the Borrower’s obligations to the Indemnified Parties in respect of fees and expenses of counsel shall be limited to the reasonable and documented out-of-pocket fees and expenses of one primary counsel for all Indemnified Parties, taken together, (and, if reasonably necessary, one local counsel in any relevant jurisdiction) and, solely in the case of an actual or potential conflict of interest of which the Borrower is notified in writing, of one additional counsel for all Indemnified Parties, taken together (and, if reasonably necessary, one local counsel in any relevant jurisdiction) (all such claims, damages, losses, penalties, liabilities and reasonable expenses being, collectively, the “Losses”) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with (i) this Agreement, any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Advance or (ii) the actual or alleged presence or release of Hazardous Materials on any property of the Consolidated Group or any Environmental Action relating in any way to the Consolidated Group, in each case whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent Losses (A) are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnified Party or any of its Related Indemnified Parties (including any breach of its obligations under this Agreement), (B) result from any dispute between an Indemnified Party and one or more other Indemnified Parties (other than against an Agent the Lead Arrangers, and/or the Arranger acting in such a role) or (C) result from the claims of one or more Lenders solely against one or more other Lenders (and not claims by one or more Lenders against any Agent acting in its capacity as such except, in the case of Losses incurred by any Agent or any Lender as a result of such claims, to the extent such Losses are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement)) not attributable to any actions of a member of the Consolidated Group and for which the members of the Consolidated Group otherwise have no liability. The Borrower further agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its shareholders or creditors for or in connection with this Agreement or any of the transactions contemplated

hereby or the actual or proposed use of the proceeds of the Advance, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence, bad faith or willful misconduct (including any breach of its obligations under this Agreement). In no event, however, shall any Indemnified Party or the Borrower be liable on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings); provided that nothing in this sentence shall limit the Borrower's indemnity and reimbursement obligations to the extent that such special, indirect, consequential or punitive damages are included in any claim by a third party unaffiliated with any of the Indemnified Parties with respect to which the applicable Indemnified Party is entitled to indemnification as set forth in the immediately preceding sentence. As used above, a "Related Indemnified Party" of an Indemnified Party means (1) any Controlling Person or Controlled Affiliate of such Indemnified Party, (2) the respective directors, officers, or employees of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates and (3) the respective agents, advisors or representatives of such Indemnified Party or any of its Controlling Persons or Controlled Affiliates, in the case of this clause (3), acting at the instructions of such Indemnified Party, Controlling Person or Controlled Affiliate; provided that each reference to a Controlling Person, Controlled Affiliate, director, officer or employee in this sentence pertains to a Controlling Person, Controlled Affiliate, director, officer or employee involved in the structuring, arrangement, negotiation or syndication of the Bridge Facility and this Agreement. Notwithstanding the foregoing, this section 9.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) If any payment of principal of, or Conversion of, a Eurocurrency Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.06, 2.08(b), 2.08(c), 2.10 or 2.12, (ii) acceleration of the maturity of the Advance pursuant to Section 6.01, (iii) a payment by an Eligible Assignee to any Lender other than on the last day of the Interest Period for such Advance upon an assignment of the rights and obligations of such Lender under this Agreement pursuant to Section 9.07 as a result of a demand by the Borrower pursuant to Section 9.07(a) or (iv) for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional reasonable losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion or as a result of any inability to Convert or exchange in the case of Section 2.08 or 2.12, including, without limitation, any reasonable loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. In the case where the principal is repaid any day other than on the last day of the Interest Period for such Advance, and the Reinvestment Rate falls below the applicable interest rate, the amount shall be calculated as the principal amount with respect to which such repayment was made, multiplied by the difference between the Reinvestment Rate and the Eurocurrency Rate, and the actual number of days of the Remaining Period. "Remaining Period" means the period commencing on (and including) the day on which the repayment was made and ending on (and including) the Maturity Date, and the "Reinvestment Rate" means the interest rate reasonably determined by an applicable Lender as the interest rate to be applied on the assumption that the prepaid principal amount will be reinvested in the Tokyo interbank market, etc. during the Remaining Period. The calculation method for such Break Funding Cost shall be on a per diem basis, inclusive of the first day and exclusive of the last day, wherein divisions shall be done at the end of the calculation, and fractions less than 1 Yen shall be rounded down.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder.

SECTION 9.05 Right of Setoff. Subject to Section 3.04, upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by

Section 6.01 to authorize the Administrative Agent to declare the Advance due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such setoff and application is made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender and its Affiliates under this Section 9.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that such Lender and its Affiliates may have.

SECTION 9.06 Binding Effect. This Agreement shall become effective upon the satisfaction (or waiver in accordance with Section 9.01) of the conditions set forth in Section 3.01 and, thereafter, shall be binding upon and inure to the benefit of, and be enforceable by, the Borrower, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that the Borrower shall have no right to assign their rights hereunder or any interest herein without the prior written consent of the Lenders, and any purported assignment without such consent shall be null and void.

SECTION 9.07 Assignments and Participations. (a) Each Lender may, with the consent of the Borrower and the Administrative Agent, which consents shall not be unreasonably withheld or delayed (it being agreed that notwithstanding anything herein, including the proviso set forth below, during the Certain Funds Period the Borrower may withhold such consent in its sole discretion unless a Certain Funds Default is continuing) and, in the case of the Borrower, (A) shall not be required while an Event of Default (or during the Certain Funds Period a Certain Funds Default) has occurred and is continuing and (B) shall be deemed given if the Borrower shall not have objected within 10 Business Days following its receipt of notice of such assignment (and, within five days after demand by the Borrower (with a copy of such demand to the Administrative Agent) to (i) any Defaulting Lender, (ii) any Lender that has made a demand for payment pursuant to Section 2.11 or 2.14, (iii) any Lender that has asserted pursuant to Section 2.08(b) or 2.12 that it is impracticable or unlawful for such Lender to make a Eurocurrency Rate Advance or (iv) any Lender that fails to consent to an amendment or waiver hereunder for which consent of all Lenders (or all affected Lenders) is required and as to which the Required Lenders shall have given their consent, such Lender will), assign to one or more Persons (other than natural persons) all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advance owing to it); provided, however, that:

(A) such consent shall not be required in the case of an assignment to any other Lender or an Affiliate of any Lender, provided that (i) notice thereof shall have been given to the Borrower and the Administrative Agent and (ii) solely with respect to assignments during the Certain Funds Period, such Affiliate has a rating for its long term unsecured and non-credit enhanced debt obligations which is not less than that of the relevant assigning Lender;

(B) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(C) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than 100 million Yen;

(D) each such assignment shall be to an Eligible Assignee;

(E) each such assignment made as a result of a demand by the Borrower pursuant to this Section 9.07(a) shall be arranged by the Borrower with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that, in the aggregate, cover all of the rights and obligations of the assigning Lender under this Agreement;

(F) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a), (1) so long as a Default shall have occurred and be continuing and (2) unless and until such Lender shall have received one or more payments from one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advance owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount, and from the Borrower or one or more Eligible Assignees in an aggregate amount equal to all other amounts accrued to such Lender under this Agreement (including, without limitation, any amounts owing under Sections 2.11, 2.14 or 9.04(c)) and (3) unless and until the Borrower shall have paid (or caused to be paid) to the Administrative Agent a processing and recordation fee of 500,000 Yen; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(G) the parties to each such assignment (other than, except in the case of a demand by the Borrower pursuant to this Section 9.07(a), the Borrower) shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance and, if such assignment does not occur as a result of a demand by the Borrower pursuant to this Section 9.07(a) (in which case the Borrower shall pay the fee required by subclause (F)(3) of this Section 9.07(a)), a processing and recordation fee of 500,000 Yen; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement, except that such assigning Lender shall continue to be entitled to the benefit of Section 9.04(a) and (b) with respect to matters arising out of the prior involvement of such assigning Lender as a Lender hereunder (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows:

(i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto;

(ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto;

(iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(iv) such assignee will, independently and without reliance upon any Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(v) such assignee confirms that it is an Eligible Assignee;

(vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and

(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower; provided that the Administrative Agent shall only be required to execute any such Assignment and Acceptance once it has satisfied and complied with all necessary “know your customer” or similar checks under all applicable laws and regulations in relation to the proposed assignment to the assignee.

(d) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at its address as set forth on Schedule II a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount (and stated interest) of the Advance owing to, each Lender from time to time (the “Register”). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders shall treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates or any natural person) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advance owing to it) without the consent of the Administrative Agent or the Borrower; provided, however, that:

(i) such Lender’s obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iii) such Lender shall remain the Lender of the Advance for all purposes of this Agreement;

(iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement; and

(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by the Borrower herefrom or therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or stated rate of interest on, the Advance or the stated rate at which any fees or any other amounts payable hereunder are calculated, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advance or any fees or any other amounts payable hereunder, in each case to the extent subject to such participation.

Each Lender shall promptly notify the Borrower after any sale of a participation by such Lender pursuant to this Section 9.07(e); provided that the failure of such Lender to give notice to the Borrower as provided herein shall not affect the validity of such participation or impose any obligations on such Lender or the applicable participant.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Advance or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Treasury Regulations Section 5f.103-1(c) and Proposed Treasury Regulations 1.163-5(b) (or any amended or successor version). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

The Borrower agrees that each participant shall be entitled to the benefits of Sections 2.11, 2.14 and 9.04(c) (subject to the requirements and limitations therein, including the requirements under Section 2.14(f) (it being understood that the documentation required under Section 2.14(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such participant (A) agrees to be subject to the provisions of Section 2.20 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.11 or 2.14, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from the occurrence, after the participant acquired the applicable participation, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty or (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Information relating to the Borrower received by it from such Lender as more fully set forth in Section 9.08.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation and the Advance owing to it) to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations in favor of any Federal Reserve Bank in accordance with Regulation A of the Board or any central bank having jurisdiction over such Lender.

SECTION 9.08 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (provided that the Administrative Agent or such Lender, as applicable, agrees that it will, to the extent practicable and other than with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority, notify the Borrower promptly thereof, unless such notification is prohibited by law, rule or regulation), (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, (iv) the CUSIP Service Bureau or any similar organization or (v) any Person to whom or for whose benefit such Lender has created a security interest in all or any portion of its rights under this Agreement pursuant to Section 9.07(g), (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than the Borrower. Each Lender acknowledges that its ability to disclose information concerning the Transactions is restricted by the City Code and the Panel and that Section 9.08 is subject to those restrictions.

For purposes of this Section, "Information" means this Agreement and the other Loan Documents and all information received from the Consolidated Group relating to the Consolidated Group or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by the Consolidated Group and other than information pertaining to this Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.09 Debt Syndication during the Certain Funds Period. Each of the Lenders and the Administrative Agent confirms that it is aware of the terms and requirements of Practice Statement No. 25 (Debt Syndication during Offer Periods) issued by the Panel.

SECTION 9.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier, facsimile or in a .pdf or similar file shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12 Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, located in the Borough of Manhattan (or if such court lacks subject matter jurisdiction, the Supreme Court of the State of New York sitting in the Borough of Manhattan), and any appellate court from any such court, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in any such New York State court or, to the extent permitted by law, in any such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.02. The Borrower irrevocably designates and appoints the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its authorized agent, to accept and acknowledge on its behalf, service of any and all process which may be served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City. Said designation and appointment shall be irrevocable by the Borrower. The Borrower hereby consents to process being served in any suit, action or proceeding of the nature referred to in Section 9.12(a) in any federal or New York State court sitting in New York City by service of process upon the Service of Process Agent, with offices on the date of this Agreement at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as provided in this Section 9.12(c); provided that, to the extent lawful and possible, notice of said service upon such agent shall be mailed by registered or certified air mail, postage prepaid, return receipt requested, to the Service of Process Agent, and to the Borrower (with a copy thereof to the Service of Process Agent) at the address specified for such Person on Schedule II or at such other address as shall be designated by such party in a written notice to the Administrative Agent. The Borrower irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service in such manner and agrees that such service shall be deemed in every respect effective service of process upon the Borrower in any such suit, action or proceeding and shall, to the fullest extent permitted by law, be taken and held to be valid and personal service upon and personal delivery to the Borrower. To the extent the Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of a judgment, execution or otherwise), the Borrower hereby irrevocably waives such immunity in respect of its obligations under the Loan Documents. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.13 Patriot Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the

name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lenders in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

SECTION 9.14 No Advisory or Fiduciary Responsibility. The Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Credit Party will have any obligations except those obligations expressly set forth herein and in the other Loan Documents and each Credit Party is acting solely in the capacity of an arm's length contractual counterparty to the Borrower with respect to the Loan Documents and the transaction contemplated therein and not as a financial advisor or a fiduciary to, or an agent of, the Borrower or any other person. The Borrower agrees that it will not assert any claim against any Credit Party based on an alleged breach of fiduciary duty by such Credit Party in connection with this Agreement and the transactions contemplated hereby. Additionally, the Borrower acknowledges and agrees that no Credit Party is advising the Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Credit Parties shall have no responsibility or liability to the Borrower with respect thereto.

The Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party, together with its Affiliates, is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, the Borrower and other companies with which the Borrower may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

In addition, the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from the Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Borrower in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. The Borrower also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to the Borrower, confidential information obtained from other companies.

SECTION 9.15 Waiver of Jury Trial. Each of the Borrower, the Administrative Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the Administrative Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

SECTION 9.16 Conversion of Currencies. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the “Applicable Creditor”) shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than the currency in which such sum is stated to be due hereunder (the “Agreement Currency”), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section 9.16 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

SECTION 9.18 Certain ERISA Matters.

- (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, the Lead Arrangers and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that at least one of the following is and will be true:
 - (i) such Lender is not using “plan assets” (within the meaning of Plan Asset Regulations) of one or more Benefit Plans in connection with the Commitments or the Advance;
 - (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled

separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Advance, the Commitments and this Agreement, and the conditions for exemptive relief thereunder are and will continue to be satisfied in connection therewith,

- (iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Commitments, the Advance and this Agreement, (C) the entrance into, participation in, administration of and performance of the Commitments, the Advance and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Commitments, the Advance and this Agreement; or
 - (iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.
- (b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or if such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, the Lead Arrangers and the Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, that:
- (i) none of the Administrative Agent, the Lead Arrangers or the Arranger or their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto),
 - (ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advance and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least \$50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),
 - (iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advance and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies,
 - (iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Commitments, the Advance and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Commitments, the Advance and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

- (v) no fee or other compensation is being paid directly to the Administrative Agent, the Lead Arrangers or the Arranger or any their respective Affiliates for investment advice (as opposed to other services) in connection with the Commitments, the Advance or this Agreement.
- (c) The Administrative Agent, each Lead Arranger and the Arranger hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Commitments, the Advance and this Agreement, (ii) may recognize a gain if it extended the Commitments or the Advance for an amount less than the amount being paid for an interest in the Commitments or the Advance by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.
- (d) The representations in this Section 9.18 are intended to comply with United States Department of Labor Regulations codified at 29 C.F.R. § 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). To the extent these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

SECTION 9.19 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to the Advance, together with all fees, charges and other amounts which are treated as interest on such Advance under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding the Advance in accordance with applicable law, the rate of interest payable in respect of such Advance hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of the Advance but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Cost of Funds Rate to the date of repayment, shall have been received by such Lender. Notwithstanding the forgoing, if the Lender shall have received interest and/or Charges in an amount that exceeds the Maximum Rate, the excess interest and Charges shall be (i) applied to the principal of the Advance, or (ii) if it exceeds the principal of the Advance, refunded to the Borrower. The Borrower represents and warrants to the Lenders that, as of the date of this Agreement, it falls into Article 2, Paragraph 1, Item 1 of the Act on Specified Commitment Line Contract (Act No. 4 of 1999).

SECTION 9.20 English Language.

- (a) Save where this Agreement expressly provides to the contrary, any notice given under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) in any other language required in respect of such notice by applicable law and accompanied by a certified English translation at the cost of the Borrower, which English translation will prevail in all circumstances.

- (b) All other documents provided under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Administrative Agent, accompanied by a certified English translation at the cost of the Borrower and, in this case, the English translation will prevail in all circumstances unless the document is a constitutional, statutory or other official document.
- (c) Notwithstanding the foregoing, the Administrative Agent, the Lenders and the Borrower hereby agree that notices and other communication customarily made in the Japanese language by the Administrative Agent to the Lenders and/or the Borrower (primarily, those of an administrative nature, such as with respect to base rate determinations, applicable interest rate, interest payment amount, etc.) may be made solely in the Japanese language as between the relevant parties, as determined at the sole discretion of the Administrative Agent.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

TAKEDA PHARMACEUTICAL COMPANY LIMITED,
as Borrower

By: /s/ Costa Saroukos

Name: Costa Saroukos

Title: Chief Financial Officer

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SUMITOMO MITSUI BANKING CORPORATION, as
Administrative Agent

By: /s/ Makoto Takashima

Name: Makoto Takashima

Title: Representative Director

SUMITOMO MITSUI BANKING CORPORATION, as
a Lender

By: /s/ Makoto Takashima

Name: Makoto Takashima

Title: Representative Director

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MUFG BANK, LTD., as a Lender

By: /s/ Ichiro Numajima

Name: Ichiro Numajima

Title: Executive Officer

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MIZUHO BANK, LTD, as a Lender

By: /s/ Koji Fujiwara

Name: Koji Fujiwara

Title: Chairman of the Board of Directors

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THE NORINCHUKIN BANK, as a Lender

By: /s/ Kazuto Oku _____

Name: Kazuto Oku

Title: President and Chief Executive Officer

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SUMITOMO MITSUI TRUST BANK, LIMITED, as a
Lender

By: /s/ Shigenori Ikemura

Name: Shigenori Ikemura

Title: Executive Officer

SCHEDULE I
COMMITMENTS

<u>LENDER</u>	<u>COMMITMENTS</u>
SUMITOMO MITSUI BANKING CORPORATION	150,000,000,000 Yen
MUFG BANK, LTD.	150,000,000,000 Yen
MIZUHO BANK, LTD	100,000,000,000 Yen
THE NORINCHUKIN BANK	50,000,000,000 Yen
SUMITOMO MITSUI TRUST BANK, LIMITED	50,000,000,000 Yen
AGGREGATE COMMITMENTS	500,000,000,000 Yen

SCHEDULE II

ADMINISTRATIVE AGENT'S OFFICE; CERTAIN ADDRESSES FOR NOTICE

BORROWER:

Takeda Pharmaceutical Company Limited
Corporate Finance Department
12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-8668 Japan
Attention: Chief Financial Officer
Telephone: 03-3278-2284
Facsimile: 03-3278-2198

cc:

Takeda Pharmaceutical Company Limited
One Takeda Parkway
Deerfield, IL 60015
Attention: General Counsel
Facsimile No.: (224) 554-7831

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ADMINISTRATIVE AGENT:

In the case of requests for the Borrowing and other notices

Sumitomo Mitsui Banking Corporation
13-6, Nihonbashi-Kodenma-cho, Chuo-ku
Tokyo 103-0001
Attention: Inter-Market Settlement Dept. Syndication Group
Tel: 03-5640-6688
Fax: 03-5695-5214

EXHIBIT A

FORM OF NOTICE OF BORROWING

Sumitomo Mitsui Banking Corporation
as Administrative Agent

Sumitomo Mitsui Banking Corporation
13-6, Nihonbashi-Kodenma-cho, Chuo-ku
Tokyo 103-0001
Attention: Inter-Market Settlement Dept. Syndication Group
Tel: 03-5640-6688
Fax: 03-5695-5214

[Date]

Ladies and Gentlemen:

Reference is hereby made to the Senior Short-Term Loan Facility Agreement dated as of October 26, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Takeda Pharmaceutical Company Limited (the “Borrower”), the Lenders from time to time party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent (in such capacity, the “Administrative Agent”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement. This notice constitutes the Notice of Borrowing and the Borrower hereby requests an Advance under the Credit Agreement, and in that connection the Borrower specifies the following information with respect to the Advance requested hereby:

1. Principal amount of Advance: _____
2. Date of Advance (which is a Business Day): _____
3. Maturity Date: _____ (1, 2, 3 or 6 months from Date of Advance)
4. Location and number of the Borrower’s account to which proceeds of Advance are to be disbursed: _____

I, [____], hereby certify that I am the duly elected, qualified and acting [____] of the Borrower, and that, as such, I am authorized to execute and deliver this certificate on behalf of the Borrower. I further certify that, as of the date hereof, (x) no Certain Funds Default is continuing or would result from the borrowing requested herein and (y) all the Certain Funds Representations are true, or, if a Certain Funds Representation does not include a materiality construct, true in all material respects.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned has caused this Notice of Borrowing to be executed and delivered as of the date first above written.

Very truly yours,

TAKEDA PHARMACEUTICAL COMPANY LIMITED,
as the Borrower

By: _____

Name:

Title:

EXHIBIT B

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (the “Assignment and Acceptance”) is dated as of the Assignment Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “Assignor”) and [*Insert name of Assignee*] (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Assignment Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate of [identify Lender]¹]
3. Borrower: Takeda Pharmaceutical Company Limited
4. Administrative Agent: Sumitomo Mitsui Banking Corporation, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Senior Short-Term Loan Facility Agreement dated as of October 26, 2018 among Takeda Pharmaceutical Company Limited, as borrower, the Lenders parties thereto and Sumitomo Mitsui Banking Corporation, as Administrative Agent
6. Assigned Interest: _____

¹ Select as applicable.

Aggregate Amount of Commitment/Advance for all Lenders	Amount of Commitment/Advance Assigned	Percentage Assigned of Commitment/Advance ²
[JPY]	[JPY]	%
[JPY]	[JPY]	%
[JPY]	[JPY]	%

Assignment Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE ASSIGNMENT DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including U.S. Federal and state securities laws.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
 Name:
 Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
 Name:
 Title:

[Consented to and]³ Accepted:

SUMITOMO MITSUI BANKING CORPORATION,
 as Administrative Agent

By: _____
 Name:
 Title:

² Set forth, to at least 9 decimals, as a percentage of the Commitment/Advance of all Lenders thereunder.

³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

[Consented to:]⁴

TAKEDA PHARMACEUTICAL COMPANY LIMITED

By: _____
Name:
Title:

⁴ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Assignment Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, any Lead Arranger or Arranger or any other Lender and their respective Related Parties, and (vi) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; (b) makes for itself as of the date hereof rather than the Effective Date, the representation and warranty concerning each Lender set forth in Section 9.18 of the Credit Agreement and (c) agrees that (i) it will, independently and without reliance on the Administrative Agent, any Lead Arranger or Arranger, the Assignor or any other Lender and their respective Related Parties, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

2. Payments. From and after the Assignment Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Assignment Date and to the Assignee for amounts which have accrued from and after the Assignment Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be

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executed in any number of counterparts, which together shall constitute one instrument. Acceptance and adoption of the terms of this Assignment and Acceptance by the Assignee and the Assignor by Electronic Signature or delivery of an executed counterpart of a signature page of this Assignment and Acceptance by any Electronic System shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

Sumitomo Mitsui Banking Corporation
as Administrative Agent

Sumitomo Mitsui Banking Corporation
13-6, Nihonbashi-Kodenma-cho, Chuo-ku
Tokyo 103-0001
Attention: Inter-Market Settlement Dept. Syndication Group
Tel: 03-5640-6688
Fax: 03-5695-5214

[Date]

Ladies and Gentlemen:

Reference is hereby made to the Senior Short-Term Loan Facility Agreement dated as of October 26, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Takeda Pharmaceutical Company Limited (the “Borrower”), the Lenders from time to time party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent (in such capacity, the “Administrative Agent”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned is the [**Chief Executive Officer / Chief Financial Officer / Treasurer**] of the Borrower (the “Authorized Officer”) and, as such, the undersigned is authorized to execute and deliver this Compliance Certificate to the Administrative Agent on behalf of the Borrower in accordance with Section 5.01(i)(iii) of the Credit Agreement. The Authorized Officer hereby certifies as follows, in his/her capacity as an officer of the Borrower and not in his/her individual capacity:

1. I have reviewed the terms of the Credit Agreement and I have made, or caused to be made under my supervision, a review in reasonable detail of the transactions and conditions of the Consolidated Group during the accounting period covered by the financial statements attached hereto as Annex I [**for quarterly financial statements add:** and such financial statements have been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments); [and]
2. The examinations described in paragraph 1 did not disclose[, except as set forth below], and I have no knowledge of the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate; [and]
 - a. [**Please specify in reasonable detail each condition or event which constitutes a Default or Event of Default and any action taken or proposed to be taken with respect thereto;** [and]
3. [The Borrower is in compliance with the Consolidated Net Debt to Consolidated EBITDA covenant contained in Section 5.03 of the Credit Agreement as shown in the calculations attached hereto as Annex II.]

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ANNEX I

FINANCIAL STATEMENTS FOR PERIOD ENDING [_____]

[To be attached.]

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ANNEX II

CALCULATION OF CONSOLIDATED NET DEBT TO CONSOLIDATED EBITDA RATIO

[To be attached.]

[English Translation solely for Information Purposes
– Japanese language original shall govern and control]

SUBORDINATED SYNDICATED LOAN AGREEMENT

dated October 26, 2018

among

TAKEDA PHARMACEUTICAL COMPANY LIMITED

as Borrower

SUMITOMO MITSUI BANKING CORPORATION

MUFG BANK, LTD.

as Lead Arrangers and Bookrunners

MIZUHO BANK, LTD.

as Arranger and Bookrunner

THE NORINCHUKIN BANK

SUMITOMO MITSUI TRUST BANK, LIMITED

as Arrangers

SUMITOMO MITSUI BANKING CORPORATION

MUFG BANK, LTD.

MIZUHO BANK, LTD.

THE NORINCHUKIN BANK

SUMITOMO MITSUI TRUST BANK, LIMITED

as Lenders

and

SUMITOMO MITSUI BANKING CORPORATION

as Agent

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SUBORDINATED SYNDICATED LOAN AGREEMENT

This Agreement is made as of October 26, 2018 among TAKEDA PHARMACEUTICAL COMPANY LIMITED, as the borrower (the “Borrower”) and the financial institutions set out in the lenders column of Attachment 1 as the lenders (collectively the “Lenders” and each a “Lender”), and Sumitomo Mitsui Banking Corporation, as the agent (the “Agent”), as follows:

Chapter 1 **Definitions¹**

Article 1-1 **(Definitions)**

The following terms shall, except where the context clearly indicates otherwise, have the meanings given below in this Agreement.

1. “Business Day” Means a day other than a day designated as a holiday for banks in Japan.
2. “Lending Obligation” Means the obligation of each Lender to make an Individual Loan in response to a request of borrowing delivered by the Borrower in accordance with the terms and subject to the conditions set out in this Agreement.
3. “Loan Impossibility Event” Means (i) a situation where Yen lending transactions cannot generally be made by banks in the Tokyo interbank market, or (ii) a situation where due to an act of God or an outbreak of war, a terrorist attack, an interruption or difficulty in the electrical, communications or various settlement systems and any other event not attributable to the Lenders, the drawdown of loans from all or any of the Lenders becomes impossible, and the Majority Lenders (or if obtaining the decision of the Majority Lenders is burdensome, the Agent) shall determine the occurrence and resolution of such event, acting reasonably.
4. “Drawdown Notice” Means a drawdown notice substantially in the form of Attachment 3 delivered to the Agent or sent by facsimile transmission for the purpose of requesting loans under this Agreement.
5. “Longstop Drawdown Notice Date” Has the meaning in Article 2-1(2).
6. “Available Prepayment Date” Means the Interest Payment Date falling after the sixth (6th) anniversary of the Drawdown Date (including such date) and each subsequent Interest Payment Date in each year.
7. “Mandatory Payment Reference Period” Means, with respect to an Interest Payment Date, the period commencing on (and including) the day fifteen (15) Business Days before the Interest Payment Date immediately preceding the relevant Interest Payment Date (or, in the case of the initial Interest Payment Date, the Drawdown Date) and ending fifteen (15) Business Days before the relevant Interest Payment Date.
8. “Taxes and Public Charges” Means income taxes, corporate taxes, and other taxes and all public taxes and/or public charges which may be imposed in Japan.

¹ Note to draft: Defined terms are in the order presented in the Japanese original and therefore are not in alphabetical order in the translation.

9. “Individual Loan” Means the loan transactions made by each Lender pursuant to the Drawdown Notice.
10. “Individual Loan Advance” Means the proceeds advanced by the Lenders to the Borrower as an Individual Loan. Furthermore, “Individual Loan Advance Amount” means the amount of such Individual Loan Advance (i.e. the amount calculated by applying the total amount set out in the relevant Drawdown Notice pro rata to each Lender in accordance with its relevant Participation Ratio).
11. “Outstanding Individual Loan Amount” Means the principal, interest, default interest, Break Funding Costs relating to an Individual Loan and any other amount for which the Borrower bears a payment obligation with respect to such Individual Loan.
12. “Commitment Period Termination Event” Has the meaning in Article 6.1(1).
13. “Commitment Amount” Means the maximum amount of Lending Obligation each Lender bears under this Agreement to the Borrower.
14. “Commitment Fee” Means the fee payable by the Borrower to each of the Lenders in accordance with the terms of this Agreement in consideration for the Lending Obligation provided by the Lenders.
15. “Most Preferred Stock” Means the shares issued or to be issued by the Borrower, which rank senior to the common stock issued by the Borrower with respect to the right to receive dividends from surplus and distribution of residual assets (if the Borrower has more than one class of stock outstanding which ranks senior to the common stock issued by the Borrower, then the class of stock ranking most senior with respect to the right to receive distribution of residual assets).
16. “Participation Ratio” Means the percentage of the Commitment Amount of each Lender to the Total Commitment Amount.
17. “Requested Drawdown Date” Means a business day during the Commitment Period on which the Borrower requests the disbursement of a loan, as set out in the relevant Drawdown Notice.
18. “Drawdown Date” Means the date on which an Individual Loan is disbursed.
19. “Due Time” Means noon of the Repayment Date in the case where a Repayment Date is specified in this Agreement.
20. “Equity Credit Change Event” Means an event in which the Rating Agents (which means Rating and Investment Information, Inc., S&P Global Ratings Japan K.K. and Moody’s Japan K.K., or any company succeeding to the rating business thereof; the same shall apply hereinafter) announce or give the Borrower a written notice to the effect that each such Rating Agent has decided to treat any obligation under this Agreement as having a lower equity credit than the equity credit thereof estimated by each such Rating Agent at the time of the execution of this Agreement due to a revision of the evaluation standards for equity credit of the obligations under this Agreement.

21. “Break Funding Cost” Means the amount to be settled in the case where the principal is repaid on any day other than an Interest Payment Date, and the Reinvestment Rate falls below the Applicable Interest Rate, which amount shall be calculated as the principal amount with respect to which such repayment was made, multiplied by the difference between the Reinvestment Rate and the Applicable Interest Rate, and the actual number of days of the Remaining Period. “Remaining Period” means the period commencing on (and including) the day on which the repayment was made and ending on (and including) the upcoming Interest Payment Date, and the “Reinvestment Rate” means the interest rate reasonably determined by the Lenders as the interest rate to be applied on the assumption that the prepaid principal amount will be reinvested in the Tokyo interbank market, etc. during the Remaining Period. The calculation method for such Break Funding Cost shall be on a per diem basis, inclusive of the first day and exclusive of the last day, wherein divisions shall be done at the end of the calculation, and fractions less than one Yen (¥1) shall be rounded down.
22. “Total Loan Balance” Means the aggregate principal portion of the Outstanding Individual Loan Amounts of all of the Lenders under this Agreement.
23. “Tax Event” Means an event in which, by the laws and ordinances of Japan or application or interpretation thereof, the Borrower suffers a significant tax disadvantage, including such that interest under this Agreement shall not be counted in deductible expenses prescribed in Article 22, Paragraph 3 of the Corporate Tax Act (Act No. 34 of 1965, as amended) in the calculation of corporate tax imposed on the Borrower, which cannot be avoided by the Borrower making reasonable efforts.
24. “Increased Costs” Means the increased portion of lending expenses (the amount reasonably calculated by the relevant Lender), in the case where the Lender’s burden of Lending Obligation and the lending expenses required in connection with this Agreement are substantially increased (excluding any increase caused by a change in tax rates on taxable income of such Lender) due to any enactment or amendment of Laws and Ordinances, or any change in the interpretation or application thereof, establishment or increase in capital reserves, or change in the restrictions under, or implementation of, the accounting rules.
25. “Increased Costs Lender” Means a Lender that has incurred Increased Costs.
26. “Total Commitment Amount” Means the aggregate amount of the Commitment Amounts of all of the Lenders.
27. “Damages” Means damages, losses and expenses (including, without limitation, any costs incurred in order not to suffer from damages or losses, costs incurred to recover damages or losses, and attorney’s fees).

28. “Majority Lenders” Means one or more Lenders whose Participation Ratio(s) amount to sixty six point seven percent (66.7%) or more in total as of the Decision Seeking Time (provided, however, that with respect to any Lender whose Lending Obligation has been cancelled but has Outstanding Individual Loan Amounts, for purposes of calculating its Participation Ratio during such period, its Commitment Amount shall be deemed equivalent to the principal portion of such Outstanding Individual Loan Amount as of the Decision Seeking Time. If the Lending Obligation is cancelled with respect to all Lenders but the repayment of all amounts due and payable under this Agreement has not occurred, the Participation Ratio for each Lender during such period shall be equivalent to its pro rata share of the Total Loan Balance with respect to the principal portion of the Outstanding Individual Loan Amount for such Lender. “Decision Seeking Time” means, in the case where the Lenders determine that an event requiring the instruction of the Majority Lenders has occurred, the point in time when the Agent receives a notice of a request for a decision of the Majority Lenders under this Agreement from the relevant Lender, and in the case where the Agent determines it necessary to seek a decision of the Majority Lenders, the point in time when the Agent gives notice to such effect.
29. “Temporary Advance Cost” Means, in the case where the Agent makes a Temporary Advance, the amount calculated as the amount of the Temporary Advance multiplied by the Funding Rate, and the actual number of days of the Temporary Advance Period. “Temporary Advance Period” means the period commencing on (and including) the day on which a Temporary Advance is made and ending on (and including) the day on which such Temporary Advance is repaid in full, and the “Funding Rate” means the interest rate that the Agent reasonably determines as the interest rate to fund the amount of Temporary Advance throughout the Temporary Advance Period. The calculation method for such Temporary Advance Cost shall be on a per diem basis, inclusive of the first day and exclusive of the last day with divisions done at the end of the calculation, and fractions less than one Yen (¥1) shall be rounded down.
30. “Temporary Advance” Means, with respect to a repayment by the Borrower on a Repayment Date, the act of payment by the Agent to the Lenders of an amount equivalent to the amount to be distributed to the Lenders pursuant to this Agreement before the completion of the payment from the Borrower.
31. “Equivalent Securities” Means the Most Preferred Stock and the Equivalent Subordinated Debt.
32. “Equivalent Subordinated Debt” Means the obligations of the Borrower (i) which have conditions that are substantially similar to the conditions provided for in Article 7-2, Paragraphs (1) through (5) and (ii) for which the rights with respect to interest and the conditions of redemption or repayment are substantially similar to those provided for in this Agreement.
33. “Non-Preferred Stock” Means the common stock of the Borrower and the shares to be issued by the Borrower which rank junior to the Equivalent Securities with respect to the right to receive dividends from surplus and distribution of residual assets.

34. “Repayment Date” Means, with respect to a principal payment relating to an Individual Loan, the Principal Payment Date, with respect to interest, the Interest Payment Date, and with respect to the Commitment Fee or any other amount payable by the Borrower hereunder, the day specified as a day on which the payment shall be made pursuant to this Agreement.
35. “Laws and Ordinances” Means the treaties, laws, ordinances, municipal ordinances, ministerial ordinances, rules, announcements, judgments, decisions, arbitral awards, directives, and policies of relevant authorities, which apply to this Agreement, the transactions under this Agreement, and/or the parties to this Agreement.
36. “Target Acquisition” Has the meaning given to “Target Acquisition” in the SSTL.
37. “Subordinated Claims” Means the claims (i) which have conditions that are substantially similar to the conditions provided for in Article 7-2, Paragraphs (1) through (5) and (ii) for which the rights with respect to interest and the conditions of redemption or repayment are substantially similar to those provided for in this Agreement, together with the claims under this Agreement.
38. “Unused Commitment Amount” Means the amount remaining after deduction of the aggregate amount of the Individual Loans from the Commitment Amount (without regard for whether any Individual Loans have been repaid). However, where a Borrower has refused a proposed disbursement of an Individual Loan by a Loan Impossibility Lender, such unfunded amount shall be deemed to be disbursed and shall be counted toward the aggregate amount of Individual Loans for purposes of calculating the Unused Commitment Amount.
39. “Subordination Event” Means any of the events set forth in Article 7-2, Paragraphs (1) through (5).
40. “SSTL” Means that certain senior short-term loan facility agreement dated as of October 26, 2018 among Takeda Pharmaceutical Company Limited., the lenders that are parties hereto, and Sumitomo Mitsui Banking Corporation, as administrative agent for the lenders.
41. “SSTL Maturity Date” Has the meaning given to “Maturity Date” in the SSTL.

Chapter 2 Commitment Terms

Article 2-1 (Primary Commitment Terms)

(1) Lending Obligation

Each Lender agrees to bear the Lending Obligation to the Borrower under this Agreement, in accordance with the terms set out below.

Total Commitment Amount	The Total Commitment Amount as of the execution date of this Agreement is as set out below (the Commitment Amount with respect to each Lender is listed in <u>Attachment 1.</u>). JPY 500 billion												
Commitment Start Date	October 26, 2018												
Commitment Termination Date	The earlier of (i) the SSTL Maturity Date or (ii) six months from the date of drawdown on the SSTL.												
Commitment Period	From (and including) the Commitment Start Date until (and including) the Commitment Termination Date. Provided, however, that in the event that (i) the Lending Obligation is cancelled with respect to all of the Lenders prior to the Commitment Termination Date or (ii) a Commitment Period Termination Event occurs, then the Commitment Period shall end on such earlier date of termination (inclusive).												
Number of Drawdowns	Each Lender agrees to one (1) drawdown of Individual Loans in response to the Borrower's request of a loan drawdown, in accordance with the terms of this Agreement.												
Commitment Fee Percentage	0.15% per annum from Commitment Start Date until (and excluding) drawdown date of SSTL 0.20% per annum from drawdown date of SSTL until (and including) either Commitment Termination Date (in the event that the Commitment Period ends before the Commitment Termination Date, the last day of the Commitment Period)												
Commitment Fee Calculation Period	From (and including) the Commitment Fee Calculation Period Start Date until (and including) the Commitment Fee Calculation Period End Date, each Calculation Period applicable therein: <table border="1" data-bbox="646 1398 1377 1761"> <thead> <tr> <th>No.</th> <th>Commitment Fee Calculation Period Start Date</th> <th>Commitment Fee Calculation Period End Date</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Commitment Start Date</td> <td>Last day of December 2018</td> </tr> <tr> <td>2</td> <td>The date immediately following Commitment Fee Calculation Period End Date No. 1</td> <td>Last day of March 2019</td> </tr> <tr> <td>3.</td> <td>The date immediately following Commitment Fee Calculation Period End Date No. 2</td> <td>Last day of June 2019</td> </tr> </tbody> </table>	No.	Commitment Fee Calculation Period Start Date	Commitment Fee Calculation Period End Date	1	Commitment Start Date	Last day of December 2018	2	The date immediately following Commitment Fee Calculation Period End Date No. 1	Last day of March 2019	3.	The date immediately following Commitment Fee Calculation Period End Date No. 2	Last day of June 2019
No.	Commitment Fee Calculation Period Start Date	Commitment Fee Calculation Period End Date											
1	Commitment Start Date	Last day of December 2018											
2	The date immediately following Commitment Fee Calculation Period End Date No. 1	Last day of March 2019											
3.	The date immediately following Commitment Fee Calculation Period End Date No. 2	Last day of June 2019											

	4.	The date immediately following Commitment Fee Calculation Period End Date No. 3	Last day of September 2019
	5.	The date immediately following Commitment Fee Calculation Period End Date No. 4	Last day of December 2019
	6.	The date immediately following Commitment Fee Calculation Period End Date No. 5	Commitment Termination Date (in the event that the Commitment Period ends before the Commitment Termination Date, the last day of the Commitment Period)
Voluntary Reduction of Commitment Amount	Borrower may, by submitting a written request at least 5 days in advance of the proposed effective date setting out (i) the request for reduction of the Commitment Amounts, (ii) the reduction amount (to be a minimum of 100 million yen and in increments of 100 million yen thereafter) and (iii) the proposed effective date of the reduction, reduce the Total Commitment Amount by the said Commitment Amounts. Reductions to the Total Commitment Amount shall be pro rata across the Commitment Amounts in accordance with the Participation Ratio of Lenders.		
Mandatory Reduction of Commitment Amount	The Total Commitment Amount of this Agreement shall be reduced by any incurrence of any Equivalent Subordinated Debt by the Borrower during the Commitment Period (provided, however, that this provision shall not apply with respect to incurrence of any Equivalent Subordinated Debt denominated in a currency other than Yen) upon the date of funding (if notes or bonds) or execution of loan agreement (if loans) for such Equivalent Subordinated Debt, by the same amount as such funding or loan agreement (in the case of incurrence of such debt denominated in any currency other than yen, such amount as translated into yen at the Exchange Rate as defined in the SSTL on such date.). Reductions to the Total Commitment Amount shall be pro rata across the Commitment Amounts in accordance with the Participation Ratio of Lenders.		

(2) Individual Loans

The Borrower may request the disbursement of Individual Loans in accordance with the applicable terms of this Agreement and under the terms set out below, and the Lenders agree to make such Individual Loans.

Purpose of funds	Solely for repayment of the debt borrowed pursuant to the SSTL on or before the SSTL Maturity Date. The Agent and each Lender shall have no obligation to confirm that the Borrower uses the loan proceeds for such purpose.
Deadline for submitting Drawdown Notice	By 10:00 am 3 Business Days prior to the applicable Requested Drawdown Date.

Deadline for delivery of Drawdown Notice to Lender	3 Days prior to the applicable Requested Drawdown Date.
Longstop Drawdown Notice Date	3 Business Days prior to the SSTL Maturity Date.
Drawdown Notice Amounts	To be a minimum of 100 million yen and in increments of 100 million yen thereafter; provided that the foregoing is not required to be applied in the case of a request of a loan drawdown for the amount of the requested loan equal to the reasonably anticipated balance of the loan under the SSTL as of the Requested Drawdown Date.
Maturity Date	The date that is the sixtieth (60 th) anniversary of the Drawdown Date.
Principal Payment Date	Means the Maturity Date.
Method of repayment of principal	Principal in the Principal Payment Amount (as set out in Attachment 2) shall be paid in a lump sum on the Principal Payment Date.
Prepayment	As separately provided in this Agreement.
Interest Period	The calculation period for interest to be paid on an Interest Payment Date shall be as follows: the interest calculation period for the interest to be paid on the first Interest Payment Date (the “First Interest Period”; the same calculation method shall apply to the second and each subsequent Interest Period thereafter) shall be the period from (and including) the Drawdown Date to (and including) the first Interest Payment Date. The second, and each subsequent, Interest Period shall be from (and including) the last day of the preceding Interest Period to (and including) the succeeding Interest Payment Date.
Base Rate	The six (6) month Japanese Yen TIBOR Rate for such Interest Period published by the JBA TIBOR Administration (or in the event that the Japanese Yen TIBOR Rate-setting operations are assumed by a successor organization, such successor organization) on Telerate Screen “17097” or successor page at 11:00 a.m., Tokyo time, or the nearest possible time after 11:00 a.m., Tokyo time, on the second (2nd) Business Day prior to (i) the Drawdown Date for the First Interest Period and (ii) the Interest Payment Date for the immediately preceding Interest Period for the second, and each subsequent, Interest Period (in each case, the “Interest Determination Date”); provided, however, that, in the case where (i) the calculation and publication of the Japanese Yen TIBOR Rate has been permanently ceased or the decision for such cessation has been made, the Borrower and the Lenders shall consult in good faith regarding the application of an alternative rate to Japanese Yen TIBOR Rate, or (ii) the Japanese Yen TIBOR Rate or the rate determined in accordance with leg (i) hereof as a result of the permanent cessation of the calculation and publication of the Japanese Yen TIBOR Rate as set out thereunder, is not published for any reason, the Base Rate shall be the rate (indicated as per annum rate) that is reasonably determined by the Agent as the offered rate applicable for a loan in Yen for six (6) months in the interbank market as of the Interest Determination Date.

Spread	<p>(1) From (and including) the Drawdown Date to (but excluding) the tenth (10th) anniversary of the Drawdown Date: 2.00% per annum</p> <p>(2) From (and including) the tenth (10th) anniversary of the Drawdown Date to (but excluding) the twenty-sixth (26th) anniversary of the Drawdown Date 2.25% per annum</p> <p>(3) After (and including) the twenty-sixth (26th) anniversary of the Drawdown Date 3.00% per annum</p>
Applicable Interest Rate	The rate that is the sum of the Base Rate and the Spread.
Interest Payment Date	With respect to the first Interest Payment Date, the date falling six (6) months following the Drawdown Date. For the second Interest Payment Date, the date falling one (1) year following the Drawdown Date, and for subsequent Interest Payment Dates up to the Maturity Date, the date falling every six (6) months thereafter.
Interest Payment Method	Interest calculated on the principal portion of the Outstanding Individual Loan Amount for each Interest Period, multiplied by the Applicable Interest Rate and the actual number of days during the Interest Period (inclusive of the first day and exclusive of the last day) on a per diem basis for each Lender (with divisions done at the end of the calculation and fractions less than one Yen (¥1) shall be rounded down) shall be paid on the Interest Payment Date for the relevant Interest Period. Where per diem calculation is to be undertaken, calculation shall be done on the basis of a year of three hundred sixty five (365) days.
Handling of holidays	In the case where a Repayment Date for the principal and/or interest will fall on a day other than a Business Day, such Repayment Date shall instead be the next immediately succeeding Business Day, except if such succeeding Business Day falls in the succeeding calendar month, in which case the Repayment Date shall be the immediately preceding Business Day.

(3) Miscellaneous

Base day count	In the case where per diem calculation is to be undertaken under this Agreement, calculation shall be done on the basis of a year of three hundred sixty five (365) days, unless otherwise provided in this Agreement.
Syndicate Account	The current deposit account of the Borrower with Sumitomo Mitsui Banking Corporation, Tokyo Business Department (Account No.: 239439, Account Holder: Takeda Pharmaceutical Company Limited).

Article 2-2 (Conditions Precedent to Lending Obligation)

Each Lender's Lending Obligation shall be subject to each of the following conditions precedent:

- (i) The relevant request for a loan drawdown satisfies the requirements set forth in this Agreement.
- (ii) The Lender's Lending Obligation not been excused under Paragraph (4) of this Article.
- (iii) the matters represented and warranted by the Borrower in this Agreement are in all material aspects true and correct;
- (iv) the Borrower is not in violation of any provision of this Agreement and no such violation is realistically and specifically threatened to occur after the applicable Requested Drawdown Date;
- (v) The Target Acquisition is completed and the drawdown on the SSTL has occurred; and
- (vi) the Borrower has submitted all the following documents to the Agent and all Lenders:
 - (a) evidence reasonably satisfactory to the Agent that any amounts borrowed and outstanding under the SSTL shall be paid in full on the applicable Requested Drawdown Date (e.g., a payoff letter in connection with early repayment);
 - (b) a certificate of seal of the Borrower representative who affixes his/her name and seal to this Agreement (one issued within three (3) months prior to the day of receipt and valid as of the date of execution of this Agreement);
 - (c) a certified copy of commercial registration or a certificate of all matters presently recorded or certificate of all matters historically recorded (one issued within three (3) months prior to the day of receipt and valid as of the date of execution of this Agreement);
 - (d) a report of a seal or a signature in the form designated by the Agent; and
 - (e) a document certifying that the appropriate internal procedures have been completed with respect to the execution of and the borrowing under this Agreement.

Article 2-3 (Terms and Conditions of Extending the Loan)

- (1) To request a loan drawdown under this Agreement, the Borrower shall notify the Agent of such request by delivering the original of the Drawdown Notice or transmitting a copy of such notice via facsimile to the Agent by no later than the applicable deadline for submitting such Drawdown Notice set out in this Agreement. If the Borrower has submitted the Drawdown Notice via facsimile transmission addressed to the Agent, the Borrower shall confirm the Drawdown Notice was received by the Agent, by telephone or other method. The amount of the requested loan (which must be an amount that is consistent with the Drawdown Notice Amount and does not exceed the Total Commitment Amount, and in no event less than the reasonably anticipated balance of the loan under the SSTL as of the date of the Requested Drawdown Date (excluding, however, any amounts that are reasonably anticipated to be repaid from proceeds of Equivalent Subordinated Debt by (and including) the Requested Drawdown Date)) set out in a Drawdown Notice and the applicable Maturity Date shall be prescribed in such notice in accordance with this Agreement, and the requested amount of any Individual Loan to be made by the Lenders in a Drawdown Notice shall not exceed the Commitment Amount of the relevant Lender as of the Requested Drawdown Date.
- (2) Notwithstanding anything in the foregoing, if on the Longstop Drawdown Notice Date, (i) it is reasonably anticipated that there will be outstanding balance of the loan under the SSTL on the SSTL Maturity Date (excluding, however, any amounts that are reasonably anticipated to be repaid from proceeds of

Equivalent Subordinated Debt by (and including) the SSTL Maturity Date) and (ii) the Borrower has not submitted a Drawdown Notice under this Agreement as of such date, the Borrower shall deliver a Drawdown Notice with the Requested Drawdown Date being the SSTL Maturity Date in accordance with Paragraph (1) of this Article on the Longstop Drawdown Date.

- (3) The Borrower's notice requesting a drawdown of the loans set out in the preceding two Paragraphs with respect to any Drawdown Notice shall take effect against each of the Lenders upon delivery of the relevant Drawdown Notice to, or receipt of such Drawdown Notice by, the Agent. The Borrower hereby acknowledges that upon delivery of a Drawdown Notice to, or receipt of such Drawdown Notice by, the Agent in accordance with the preceding Paragraph, such Drawdown Notice shall be irrevocable and shall not be cancelled or modified with respect to any of the Lenders for any reason. Upon delivery of a Drawdown Notice to, or receipt of such Drawdown Notice by, the Agent, the Agent shall notify each of the Lenders of the submission of the Drawdown Notice and its provisions by sending each of them a copy of such Drawdown Notice within the time period prescribed in this Agreement.
- (4) On the condition that all of the Lending Obligation conditions precedent set out in this Agreement have been fulfilled as of the applicable Drawdown Date for an Individual Loan (whether or not a notice of non-lending has been issued under Paragraph (7) of this Article), during the Commitment Period, each Lender shall bear the Lending Obligation. Whether the conditions precedent are fulfilled or not shall be judged by each Lender, and neither the other Lenders nor the Agent shall be responsible for the judgment made by such Lender, including any decision of non-lending.
- (5) If a request of a loan drawdown has been received in accordance with Paragraph (1) or (2) of this Article and all Lending Obligation conditions precedent set out in this Agreement have been fulfilled as of the Drawdown Date for the relevant Individual Loan, each Lender shall deposit the Individual Loan Drawdown Amount to the Syndicate Account on such Drawdown Date. The Individual Loan of the relevant Lender shall be deemed to have been made as of the time of the deposit of such amount into the Syndicate Account.
- (6) In the case where a loan is extended under the preceding Paragraph, the Borrower shall promptly send a receipt setting out the amount of the loan and the details of the Individual Loan to the Agent. The Agent shall, when it receives such receipt, promptly deliver a copy to the Lenders extending the Individual Loan. The Agent shall retain the original of the receipt on behalf of the Lenders until the repayment of the full amount of the Outstanding Individual Loan Amount for the Individual Loan.
- (7) A Lender that has decided not to make a loan for the reason that all or a part of the Lending Obligation conditions precedent have not been fulfilled (the "Non-lending Lender") may notify the Agent, the Borrower, and all other Lenders of the decision not to lend with the reason therefor; provided that, in the case where such Individual Loan is not made even though all conditions precedent are fulfilled, the Non-lending Lender shall not be excused of liability for violation of the Lending Obligation.
- (8) In the case where Damages are incurred by the Lender and/or the Agent as a result of the Lender not being able to extend an Individual Loan, the Borrower shall bear such Damages; provided, however that this shall not apply in the case where the non-lending of the Individual Loan is attributable to a violation of the Lending Obligation by the Lender, in which case the Borrower shall be entitled to demand from such Non-lending Lender compensation for Damages, etc. within the range of reasonable causation in connection with such violation.

Article 2-4 (Exemption of Lender)

- (1) In the event that it is determined by the Majority Lenders or the Agent that a Loan Impossibility Event has occurred with respect to any Lender, the Agent shall promptly notify the Borrower and each of the Lenders in writing.

- (2) Following the issuance of a notice in accordance with the preceding Paragraph, if the Majority Lenders or the Agent determine that there has been a cessation of the relevant Loan Impossibility Event, the Agent shall promptly notify the Borrower and each of the Lenders in writing of such cessation of the Loan Impossibility Event.
- (3) During the period from (and including) the date upon which the Borrower receives a notice pursuant to Paragraph (1) of this Article until (and including) the date upon which the Borrower receives a notice pursuant to Paragraph (2) of this Article (the “Loan Impossibility Period”), the affected Lender shall be excused from its Lending Obligation. In this case, the Borrower shall not be required to pay to such Lender affected by the Loan Impossibility Event the amount of its Commitment Fee that is calculated by applying the Commitment Fee Percentage to the total amount of the Unused Commitment Amounts for each of the days during the Loan Impossibility Period and dividing such total amount by 365 (and fractions less than one Yen (¥1) shall be rounded down). In the event that a Lender has already received payment of such Commitment Fee amount, upon the end of the relevant Loan Impossibility Period, the Lender shall promptly refund such amount by directly depositing funds equivalent to such amount into the Syndicate Account for the account of the Borrower.

Article 2-5 (Increased Costs and Illegality)

- (1) An Increased Costs Lender may, by notifying the Borrower in writing through the Agent and attaching a reasonable cause for the occurrence of the Increased Costs, request the Borrower to bear the Increased Costs.
- (2) In the case where a request from an Increased Costs Lender has been made under the preceding Paragraph, the Borrower shall consult with the Increased Costs Lender and determine how to respond to such event. If the Borrower decides to bear the Increased Costs, the Borrower shall notify the Increased Costs Lender of such decision in writing through the Agent. The Borrower shall pay to the Increased Costs Lender, on the day that is five (5) Business Days after the day such notice has been received by the Increased Costs Lender, funds equivalent to such Increased Costs as calculated in accordance with this Agreement.
- (3) If the execution and performance of this Agreement and any transactions hereunder violate the Laws and Ordinances binding on any of the Lenders, the relevant Lender shall consult with the Borrower and all other Lenders, through the Agent, and determine how to respond to such event.

Article 2-6 (Payment of Commitment Fees)

- (1) The Borrower shall pay, on the day that is ten (10) Business Days following the last day of the preceding Commitment Fee Calculation Period, a Commitment Fee in an amount calculated by applying the Commitment Fee Percentage to the total amount of the Unused Commitment Amount on each day within such Commitment Fee Calculation Period (provided that with respect to any day where the Commitment Amount has been adjusted in accordance with Article 9-7 Paragraph (2) Item (2), the Unused Commitment Amount following such adjustment shall be used as the reference) and dividing such total amount by 365 (and fractions less than one Yen (¥1) shall be rounded down). However, in the event that the Commitment Period ends before the Commitment Termination Date, with respect to the Commitment Fee Calculation Period that ended on the last day of the Commitment Period, the Borrower shall pay as Commitment Fees for such Commitment Fee Calculation Period, an amount calculated by applying the Commitment Fee Percentage to the total amount of the Unused Commitment Amount on each day starting from (and including) the Commitment Fee Calculation Period Start Date of such Commitment Fee Calculation Period until (and including) the last day of the Commitment Period (provided that with respect to any day where the Commitment Amount has been adjusted in accordance with Article 9-7 Paragraph (2) Item (2), the Unused Commitment Amount following such adjustment shall be used as the

reference) and dividing such total amount by 365 (and fractions less than one Yen (¥1) shall be rounded down), on the day that is two (2) Business Days following the Commitment Fee Calculation Period End Date with respect to such Commitment Fee Calculation Period as set out in the table set out in the section titled “Commitment Fee Calculation Period” in Article 2-1 Paragraph (1) of this Agreement, and no Commitment Fees shall be payable by the Borrower thereafter. Unless otherwise provided in this Agreement, Borrower has no right to demand a refund of any Commitment Fees that have been paid to the Lenders.

- (2) In the event a Loan Impossibility Event occurs with respect to any Lender, the Borrower shall not be required to pay to the affected Lender (the “Loan Impossibility Lender”) the amount of its Commitment Fee that is calculated by applying the Commitment Fee Percentage to the total amount of the Unused Commitment Amount on each day within the relevant Loan Impossibility Period (provided that with respect to any day where the Commitment Amount has been adjusted in accordance with Article 9-7 Paragraph (2) Item (2), the Unused Commitment Amount following such adjustment shall be used as the reference) and dividing such total amount by 365 (fractions less than one Yen (¥1) shall be rounded down). In the event that a Lender has already received payment of the relevant Commitment Fee amount, upon the cessation of the relevant Loan Impossibility Period, the Lender shall promptly refund such amount by directly depositing such amount into the Syndicate Account for the account of the Borrower. For the purposes of this Paragraph, “Loan Impossibility Period” means the period from (and including) the date upon which the relevant Loan Impossibility Event occurs until (and including) the day immediately before the Loan Impossibility End Date. The Loan Impossibility End Date shall be determined as set out below:
- (i) Where the Loan Impossibility Lender proposes to the Borrower through the Agent that with respect to a Drawdown Notice that is subject to the relevant Loan Impossibility Event, it intends to disburse its Individual Loan at a later date, the Borrower gives its consent to such proposal, and the Individual Loan is thereafter disbursed, the date of the disbursement of such Individual Loan;
 - (ii) Where a proposal pursuant to the preceding Item is made but consent is withheld by the Borrower, the date of the Borrower’s refusal. In the event that a proposal is made in accordance with the preceding Item and the Agent does not receive a notice of consent from the Borrower within three (3) Business Days thereafter, consent to such proposal shall be deemed to have been withheld by the Borrower; and
 - (iii) In any other circumstance not covered by the preceding two Items, on such date as agreed to among the Borrower, the Loan Impossibility Lender and the Agent upon mutual consultation.

With respect to Item (ii), for purposes of determining Commitment Fees payable to the Loan Impossibility Lender after (and including) the Loan Impossibility End Date, the unutilized Commitment shall be calculated as if the Individual Loan that was to be made under the Drawdown Notice affected by the Loan Impossibility Event had been disbursed.

Article 2-7 (Optional Deferral of Interest Payment)

- (1) With respect to each Interest Payment Date, the Borrower may, at its discretion, by giving a written notice to the Agent and all Lenders by (and including) the day ten (10) Business Days before such Interest Payment Date, defer all or part of the interest under this Agreement to be paid on such Interest Payment Date (the “Optional Deferred Interest Payment Date”) (such deferral of interest shall be hereinafter referred to as an “Optional Deferral,” and any amount of interest under this Agreement so deferred due to an Optional Deferral shall be hereinafter referred to as an “Optional Deferred Payment Amount”) provided that in the case of any Optional Deferral with respect to a part of the interest due on the applicable Optional Deferred Interest Payment Date by the Borrower pursuant hereto, the amount of such Optional Deferral Payment Amount shall be applied pro rata to each Lender in accordance with its

applicable Participation Ratio. Any Optional Deferred Payment Amount shall bear interest at the rate equivalent to the Applicable Interest Rate for the period from (and including) the Optional Deferred Interest Payment Date to (and including) the date on which the Optional Deferred Payment Amount is paid in full (the “Additional Interest”; and the Optional Deferred Payment Amount and the Additional Interest thereon shall be hereinafter collectively referred to as the “Optional Outstanding Payment Amount”) (For the avoidance of doubt, the amount of such Additional Interest in respect of such Optional Deferred Payment shall not bear interest itself.). The calculation method for such Additional Interest shall be on a per diem basis, inclusive of the first day and exclusive of the last day, wherein divisions shall be done at the end of the calculation, and fractions less than one Yen (¥1) shall be rounded down.

- (2) Notwithstanding the provisions of Paragraph (1) of this Article, if any of the following events (a “Non-Preferred Stock Mandatory Payment Event”) occurs during a Mandatory Payment Reference Period, the Borrower shall pay, on the Interest Payment Date immediately following the end of the Mandatory Payment Reference Period (referred to in this Article as the “Mandatory Payment Date”) or the Interest Payment Date immediately following the Mandatory Payment Date (referred to in this Article as the “Mandatory Payment Deadline Date”), the entire balance of the Optional Outstanding Payment Amount as of such Mandatory Payment Date, provided, however, that with respect to any such Optional Outstanding Payment Amount as of the relevant Mandatory Payment Date that is paid on the applicable Mandatory Payment Deadline Date pursuant to this Article, no Additional Interest shall be accrued and payable with respect to the period from (and including) the applicable Mandatory Payment Date to (and including) the applicable Mandatory Payment Deadline Date:
- (i) if the Borrower resolves to pay or makes payment of dividends from surplus (including interim dividends set forth in Article 454, Paragraph 5 of the Companies Act and less than full dividends) on the Non-Preferred Stock of the Borrower; or
 - (ii) if the Borrower repurchases or acquires any Non-Preferred Stock of the Borrower (excluding the case where any of the below items apply):
 - (a) Article 155, Items 8 through 13 of the Companies Act;
 - (b) purchase demand by a shareholder with less than 1 unit of stock under Article 192, Paragraph 1 of the Companies Act;
 - (c) purchase demand by an opposing shareholder under Article 469, Paragraph 1; Article 785, Paragraph 1; Article 797, Paragraph 1; and/or Article 806, Paragraph 1 of the Companies Act;
 - (d) purchase demand by an opposing shareholder under Article 116, Paragraph 1 of the Companies Act;
 - (e) from subsidiaries pursuant to Article 163 of the Companies Act in response to Article 135, Paragraph 3 of the Companies Act;
 - (f) any other acquisition to satisfy the Borrower’s purchase obligations pursuant to the Laws and Ordinances, etc.;
 - (g) with respect to any acquisition under Articles 156, 160 and/or 165 of the Companies Act, where such stock was acquired with the intent of being disposed for a stock ownership plan or other stock compensation or in exchange for the exercise of share warrants. The Borrower, upon the request of any Lender and/or the Agent, shall provide documents, etc. that reasonably provide evidence of such intent with respect to the relevant acquisition of the Non-Preferred Stock of the Borrower, and deliver such evidence to the relevant Lender and/or the Agent.
- (3) Notwithstanding the provisions of Paragraph (1) of this Article, if dividends or interest have been paid in respect of the Equivalent Securities (excluding, however, any such payments made in connection with the

repayment of any Equivalent Securities) during the period from (and including) an Optional Deferred Interest Payment Date to (and excluding) the Interest Payment Date immediately following such Optional Deferred Interest Payment Date (such event shall be hereinafter referred to as the “Equivalent Securities Mandatory Payment Event”), the Borrower shall pay, on the Interest Payment Date immediately following such Optional Deferred Interest Payment Date (referred to in this Article as the “Equivalent Securities Mandatory Interest Payment Date”), the entire Optional Outstanding Payment Amount as of the Equivalent Securities Mandatory Interest Payment Date related to such Optional Deferred Interest Payment Date.

- (4) Notwithstanding the provisions of Paragraph (1) of this Article, if the interest payable under this Agreement on an Interest Payment Date immediately following an Optional Deferred Interest Payment Date has not been made into an Optional Deferral, the Borrower shall pay the entire balance of any Optional Deferred Payment Amount on such Interest Payment Date.
- (5) [Intentionally Omitted].
- (6) [Intentionally Omitted].
- (7) If the Borrower pays only a part of the Optional Outstanding Payment Amount, such payment shall be applied to the Optional Outstanding Payment Amount in sequential order, from those with the earliest Optional Deferred Interest Payment Date to the latest, and if the Optional Deferred Interest Payment Dates fall on the same day, then firstly to Additional Interest and secondly to the Optional Deferred Payment Amount. Upon such application, if the amount available for application falls short of the amount of any Additional Interest or Optional Deferred Payment Amount, such amount shall be applied to such item, in proportion to the amount of each payment obligation owed by the Borrower regarding such item, which have become due and payable.
- (8) Notwithstanding the provisions of Paragraphs (1) through (7) of this Article, the Borrower shall pay the entire Optional Outstanding Payment Amount on the Maturity Date.
- (9) If the Borrower makes payment as provided for in this Article, the Borrower shall give to the Agent and all Lenders a prior written notice of the amount desired for payment and the desired payment date, by ten (10) Business Days prior to the desired payment date. Such notice shall be irrevocable by the Borrower.

Chapter 3 Representations and Warranties of the Borrower

Article 3-1 (Representations and Warranties of the Borrower)

The Borrower represents and warrants to the Lenders and the Agent that each of the following matters is true and correct as of the execution date of this Agreement and the Drawdown Date of Individual Loans and if it is found out that such representations and warranties are not true on any later date, then immediately notify the Lenders and the Agent of such effect in writing and bear any and all Damages within the range of reasonable causation incurred by the Lenders or the Agent arising therefrom:

- (i) The Borrower is a stock company duly incorporated and validly existing under the laws of Japan;
- (ii) The Borrower does not fall under any of Items (a) through (i) of Paragraph (1) of Attachment 4 and has no relationship set forth in any of Items (a) through (e) of Paragraph (2) of Attachment 4.
- (iii) The Borrower has all necessary complete legal power and right to execute and perform this Agreement, and the execution and performance of this Agreement, and the transactions hereunder, are within the corporate purposes of the Borrower, and the Borrower has duly completed all procedures necessary therefor under the Laws and Ordinances, the Articles of Incorporation and other internal company rules of the Borrower;
- (iv) The execution and performance of this Agreement, and the transactions hereunder, do not violate (a) any Laws and Ordinances which bind the Borrower, (b) the Articles of Incorporation and other internal company rules of the Borrower, and (c) any third-party contract to which the Borrower is a party or which binds the Borrower, or its assets;
- (v) The person who signed or attached his/her name and seal to this Agreement as the representative of the Borrower is authorized to sign or attach his/her name and seal to this Agreement as the representative of the Borrower by all procedures necessary pursuant to the Laws and Ordinances, the Articles of Incorporation or other internal company rules of the Borrower;
- (vi) Each of this Agreement and the SSTL constitutes legal, valid and binding obligations of the Borrower, and is enforceable against it in accordance with its terms, and the Borrower has not asserted to the contrary in writing;
- (vii) The financial statements (consolidated and non-consolidated) contained in the annual reports, semi-annual reports, quarterly reports, extraordinary reports, amended reports, etc. set forth in the Financial Instruments and Exchange Act (each of the above documents shall be referred to as the "Reports") prepared by the Borrower are duly prepared in accordance with generally accepted accounting principles and with the opinion of appropriateness after the audit (including the quarterly review) of the audit corporation;
- (viii) From the last day of the business year ending June 2018, no material change, which might cause a deterioration of the business, assets, or financial condition of the Borrower as described in the Reports of that business year and which may materially affect the performance of the obligations under this Agreement, has occurred;
- (ix) As of the execution date of this Agreement, the Borrower is a company which is required to submit annual securities reports (*yuuka shouken houkoku teishutsu kaisha*), and is a corporation that is required to obtain audit certificates as prescribed by the Financial Instruments and Exchange Act (*Kin'yuu shouhin torihiki hou*) of Japan, and which falls within any of the items set out in Article 2, Paragraph 1 of the Act on Specified Commitment Line Contract (*Tokutei yuushiwaku keiyaku ni kansuru houritsu*).
- (x) No lawsuit, arbitration, administrative procedure, or any other dispute has commenced or is actually and specifically threatened with respect to the Borrower which will or may materially cause adverse effects on the performance of its obligations under this Agreement; and
- (xi) No Subordination Event has arisen, or is likely to arise.

Chapter 4 Obligations of the Borrower

Article 4-1 (Obligations of the Borrower)

- (1) The Borrower covenants to perform, at its expense and responsibility, the matters described in each of the following Items on and after the date of this Agreement, until the later of the termination of this Agreement or when the Borrower performs its obligations under this Agreement to the Lenders and the Agents in full:
 - (i) On the occurrence of any Subordination Event, Tax Event, Equity Credit Change Event, Non-Preferred Stock Mandatory Payment Event or Equivalent Securities Mandatory Payment Event, or the likelihood thereof, it shall immediately inform the fact thereof to the Agent and all Lenders;
 - (ii) In the case where the Borrower prepares Reports, it shall submit a copy of such Reports together with the audit report (including the quarterly review report) to the Agent and all Lenders promptly after filing with the Director General of the competent finance bureau; in the case where electronic disclosure of Reports is made on the electronic disclosure system for disclosure documents such as securities reports, etc. under the Financial Instruments and Exchange Act (EDINET: <http://info.edinet.go.jp/>), the above disclosure will be deemed fulfilled at the time of such disclosure, without any notice to the Agent and all Lenders or other action required; provided that, in the case where any Lender requires a copy of Reports, a copy shall be provided to the relevant Lender;
 - (iii) When based on reasonable cause requested by the Agent or any Lender through the Agent, the Borrower shall promptly, to the extent reasonably practicable, provide the Agent and all Lenders with a report regarding the assets, management, and business circumstances of the Borrower, and its subsidiaries, etc. (meaning a subsidiary and affiliate company as provided in the Regulations Concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.; for the definition of “subsidiaries, etc.”, it will not matter if the Reports of the Borrower are prepared in accordance with such Regulations; the same shall apply hereinafter), or provide necessary cooperation for an audit thereof to the extent reasonably practicable and as long as it does not interfere with the business operations of the Borrower and its subsidiaries;
 - (iv) In the case where a material change occurs to the assets, management, and business circumstances of the Borrower and its subsidiaries, etc., or such change is actually and specifically likely to occur with the passage of time, or in the case of a lawsuit, arbitration, administrative procedure, or any other dispute, which will materially affect the performance of the obligations of the Borrower under this Agreement, has commenced, or is likely to commence, it shall promptly report the fact thereof to the Agent and all Lenders;
 - (v) In the case where the representations and warranties of the Borrower made under this Agreement are discovered to be contrary to fact, it shall promptly report the fact thereof to the Agent and all Lenders; and
 - (vi) In the case where, in addition to any Equity Credit Change Event, where a rating is newly assigned or an existing rating is withdrawn, suspended, or deferred, it shall immediately notify the Agent and all Lenders of the fact thereof.
 - (vii) Upon completion of the Target Acquisition and drawdown on the SSTL, the Borrower shall promptly notify the Agent and all the Lenders of the fact thereof (including without exception the drawdown date, disbursement amount and maturity date, etc.).
 - (viii) If the Borrower intends to make any prepayment of the SSTL, the Borrower shall immediately notify the Agent and all the Lenders of the fact thereof (including without exception the proposed prepayment date and amount, etc.).

- (ix) If the Borrower has incurred, prior to the Drawdown Date, any other subordinated debt of the same priority as the Loan Claims under this Agreement, the Borrower shall immediately notify the Agent and all the Lenders of the fact thereof (including without exception the date of incurrence, the amount of incurrence, whether equity, etc.).
- (2) The Borrower shall not offer any security to secure all or any part of its obligations under this Agreement for the benefit of any Lender on and after the date of this Agreement and until the later of the termination of this Agreement or the Borrower performs all of its obligations under this Agreement to the Lenders and the Agent in full. For the purpose of this Article, the offer of security shall mean the creation of a security interest on any asset of the Borrower, or the promise to create a security interest on an asset of the Borrower, and does not include any lien and reserved right, etc., established as a matter of course under Laws and Ordinances.
- (3) The Borrower shall, on and after the date of execution of this Agreement, and until the later of the termination of this Agreement or the Borrower performs all of its obligations under this Agreement to each Lender and the Agent in full, affirmatively covenants to comply with the matters described in the Items below:
 - (i) The Borrower shall maintain licenses and other similar permits that are necessary to conduct its main business, and continue to carry out its business in compliance with all Laws and Ordinances, provided, however, that any such failure to maintain licenses and other similar permits or non-compliance with Laws and Ordinances that does not materially impact the performance of its obligations under this Agreement shall not constitute a breach of this provision;
 - (ii) The Borrower shall not change its main business in a manner that would have, or threaten to have, a non-immaterial adverse effect with respect to the performance of its obligations under this Agreement;
 - (iii) The Borrower shall not, until the Borrower performs all of its obligations under this Agreement to Lenders and the Agent in full, subordinate the payment of any of its debts under this Agreement to the payment of any other Equivalent Securities outstanding as of the Repayment Date thereof, or at least will treat them *pari passu*;
 - (vi) The Borrower shall not fall under any of Items (a) through (i) of Paragraph (1) of Attachment 4 and shall not have any relationship set forth in any of Items (a) through (e) of Paragraph (2) of Attachment 4; and
 - (v) The Borrower shall not engage in any conduct itself or through a third party falling under any of Items (a) through (e) of Paragraph (3) of Attachment 4.
- (4) The Borrower shall immediately notify all Lenders through the Agent in writing upon receipt of any service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to the loan claim related to an Individual Loan, together with a photocopy of such order.
- (5) The Borrower, upon obtaining knowledge of any Default or Event of Default (in each case as defined in the SSTL) under the SSTL, shall immediately notify the Agent and all Lenders of the fact thereof.

Chapter 5 No Acceleration

Article 5-1 (No Acceleration)

The Agent or any Lender may, in no event, accelerate any payment by the Borrower with respect to any of its obligations under this Agreement.

Chapter 6 Termination of the Commitment Period

Article 6-1 (Termination of the Commitment Period)

- (1) If any of the events set out in the Items below occur (a “Commitment Period Termination Event”), the Lending Obligations of all of the Lenders shall be cancelled, and the Commitment Period with respect to all of the Lenders shall automatically terminate. Notwithstanding the occurrence of any such event, the Borrower shall repay principal and interest on outstanding Individual Loans on the applicable Repayment Date. Until the Borrower performs all of its obligations under this Agreement to each Lender and the Agent in full, the relevant terms and conditions of this Agreement shall continue to apply and be in effect with respect to the fulfillment of any outstanding obligations:
- (i) The Commitment Termination Date arrives;
 - (ii) The total number of drawdowns of the loan with respect to each Lender has become one (1);
 - (iii) The total amount of loans that have been drawn down is equivalent to the Total Commitment Amount;
 - (iv) The Borrower in writing (a) requests the termination of the Commitment Period, (b) gives the reason for such request, and (c) sets out the proposed Commitment Period termination date and provides such written request to the Agent and all of the Lenders at least 5 Business Days prior to the proposed Commitment Period termination date;
 - (v) This Agreement and/or the SSTL shall cease to be valid and enforceable against the Borrower or the Borrower shall so assert in writing;
 - (vi) Any advances made pursuant to the SSTL has been accelerated, or the Commitment Termination Date has occurred without the occurrence of a drawdown of loans under the SSTL; or
 - (vii) A Subordination Event has occurred.
- (2) [Intentionally Omitted.]

Chapter 7 Terms and Conditions of Repayment of Obligations

Article 7-1 (Performance of Obligations of the Borrower)

- (1) In order to repay its obligations under this Agreement, the Borrower shall transfer the relevant amount to the Syndicate Account by the Due Time, for those obligations for which a Repayment Date is provided under this Agreement, or immediately upon the request of the Agent, for those obligations for which the Repayment Date is not provided under this Agreement. In such case, the obligation of the Borrower to the Agent or the Lenders shall be deemed to have been performed upon the withdrawal by the Agent of the relevant amount from the Syndicate Account. The Agent shall make the withdrawal on the Repayment Date for those obligations for which the Repayment Date is provided under this Agreement, or promptly after the date of transfer of such amount for those without a provision of the Repayment Date.
- (2) The Borrower grants to the Agent the authority to withdraw amounts from the Syndicate Account in accordance with the preceding Paragraph, and waives the right to cancel such delegation (the Borrower shall not need to issue any check or demand for withdrawal in order to make such withdrawal).
- (3) Unless otherwise provided for in this Agreement, if a payment of obligations under this Agreement by the Borrower is made directly to the Lenders without going through the Agent in violation of Paragraph (1) of this Article, such payment shall not be deemed to constitute a performance of obligations under this Agreement. In this case, the Lender receiving such payment shall immediately pay the money it receives to the Agent, and the obligations with respect to such money shall be deemed to have been performed upon the receipt by the Agent of such money. The Borrower may not perform its obligations under this Agreement by accord and satisfaction (*daibutsu-bensai*) unless the Agent and all Lenders give their prior written consent.
- (4) Payments by the Borrower under this Article shall be applied in the order set forth below (for purposes of this Agreement, such order shall be referred to as the “Order of Allocation”):
 - (i) the expenses the Agent has incurred in place of the Borrower which are to be borne by the Borrower under this Agreement, and the Agency Fee;
 - (ii) the expenses payable to a third party which are to be borne by the Borrower under this Agreement;
 - (iii) the expenses any Lender has incurred in place of the Borrower which are to be borne by the Borrower under this Agreement;
 - (iv) default interest and Break Funding Cost;
 - (v) Commitment Fees;
 - (vi) interest on the loans, other than the Optional Deferred Payment Amount and the Additional Interest;
 - (vii) the Optional Deferred Payment Amount and the Additional Interest; and
 - (viii) principal of the loans.
- (5) Upon the application as set forth in the preceding Paragraph, in the case where the amount to be applied falls short of the amount under any of the Items, with respect to the first Item not fully covered (the “Deficient Item”), the amount remaining after the application to the Items of the higher order of priority shall be applied pro rata in proportion to the amount of individual payment obligations owed by Borrower under the Deficient Item which have become due and payable (provided that Item (vi) shall be subject to Article 2-7, Paragraph (7)) (such allocation method shall be hereinafter referred to as the “Deficient Item Allocation Method”).
- (6) Unless required by the Laws and Ordinances, the Borrower shall not deduct Taxes and Public Charges from the amount of obligations to be paid pursuant to this Agreement. In the case where it is necessary

to deduct Taxes and Public Charges from the amount payable by the Borrower, the Borrower shall additionally pay the amount necessary in order for the relevant Lender or the Agent to be able to receive the amount that it would receive if no Taxes and Public Charges were imposed. In such case, the Borrower shall, within thirty (30) days from the date of payment by itself, directly send to such Lender or Agent a certificate of tax payment in relation to withholding taxes issued by the tax authorities or other competent governmental authorities in Japan.

Article 7-2 (Subordination)

- (1) In the case where, with respect to the Borrower, the liquidation proceedings (including ordinary liquidation and special liquidation under the Companies Act; the same shall apply hereinafter) have been commenced and such liquidation proceedings continue, the right to payment of the claims under this Agreement shall take effect when the conditions precedent set forth below are fulfilled.

(Conditions precedent)

In the liquidation proceedings against the Borrower, the full amount of all claims other than the Subordinated Claims among the claims held by the Borrower's creditors who have the rights to receive payments or repayment before commencement of the distribution of residual assets to the shareholders is fully paid in accordance with the provisions of the Companies Act or the full amount of the same is satisfied by any other method.

- (2) In the case where, with respect to the Borrower, commencement of the bankruptcy proceedings has been decided and such bankruptcy proceedings continue, the right to payment of the claims under this Agreement shall take effect when the conditions precedent set forth below are fulfilled.

(Conditions precedent)

The full amount of all claims other than the Subordinated Claims among the claims to be added to the distribution, which are described in the distribution list (if amended, the amended distribution list) prepared by the bankruptcy trustee for the final distribution in such bankruptcy proceedings is fully paid, or the full amount of the same is satisfied by any other method (including distribution and statutory deposit).

- (3) In the case where, with respect to the Borrower, commencement of reorganization proceedings has been decided and such reorganization proceedings continue, the right to payment of the claims under this Agreement shall take effect when the conditions precedent set forth below are fulfilled.

(Conditions precedent)

In the reorganization proceedings of the Borrower, the fixed amount of all claims other than the Subordinated Claims among the claims to be modified, which are described in the reorganization plan at the time when a decision of approval of the reorganization plan is final and binding, is fully paid, or the full amount of the same is satisfied by any other method.

- (4) In the case where, with respect to the Borrower, commencement of rehabilitation proceedings has been decided and the rehabilitation proceedings continue without a decision on simplified rehabilitation or consensual rehabilitation, the right to payment of the claims under this Agreement shall take effect when the conditions precedent set forth below are fulfilled.

(Conditions precedent)

In the rehabilitation proceedings of the Borrower, the fixed amount of all the claims other than the Subordinated Claims among the claims to be modified, which are described in the rehabilitation plan at the time when a decision of approval of the rehabilitation plan is final and binding, is fully paid, or the full amount of the same is satisfied by any other method.

- (5) In the case where, with respect to the Borrower, commencement of liquidation proceedings, bankruptcy proceedings, reorganization proceedings, rehabilitation proceedings or proceedings equivalent thereto is decided in a foreign country in accordance with laws other than the laws of Japan, the right to payment of the claims under this Agreement shall procedurally take effect in such proceedings when conditions corresponding to the conditions precedent set forth in Paragraphs (1) through (4) of this Article are fulfilled; provided, however, that, in the case where such conditions are not procedurally allowed to be attached, such right shall take effects without such fulfillment.
- (6) In the case where after a Subordination Event, there is a commencement of liquidation proceedings, bankruptcy proceedings, reorganization proceedings, rehabilitation proceedings or proceedings equivalent thereto in a foreign country in accordance with laws other than the laws of Japan, each Lender, with respect to its Individual Loan shall be deemed to have a payment claim under this Agreement for an amount calculated in accordance with the items below, and the Borrower shall not be obligated to pay each Lender beyond such amount:
 - (i) the principal amount of its Individual Loans outstanding at the time of the occurrence of the Subordination Event; and
 - (ii) the Optional Outstanding Payment Amount and Default Interest accrued on the principal amount of its Individual Loans as of such date and interest on the unpaid balance, if such date falls on the same date as an Interest Payment Date;
- (7) Any amendment to any of the provisions of this Agreement to the disadvantage of the creditors of the Borrower other than the creditors of the Subordinated Claims is prohibited by any means, and any agreement on such amendment takes no effect by any means and with respect to any person.
- (8) In the case where a Subordination Event has occurred and continues, the right to payment of the claims under this Agreement shall be the sum derived by multiplying the total amount of cash available for repayment from all of the Equivalent Securities (where Most Preferred Stock exists, the amount that is the aggregate of the distributions that would be paid out of the residual assets of the Borrower if all of the Subordinated Claims were composed of the Most Preferred Stock) by (i) the amount of such payment claims under this Agreement divided by (ii) the amount of all of the payment claims with respect to such Equivalent Securities (in the case of the Most Preferred Stock, capped the amount where if it is anticipated there is no shortfall of cash available for repayment, distributions out of the residual assets of the Borrower) and such payment claims shall only be exercised within the range of such amount.
- (9) In the case where a Subordination Event has occurred and continues, if, despite the fact that the right to payment of the claims under this Agreement do not take effect in accordance with Paragraphs (1) through (5) of this Article, all or a part of the claims are paid to the Lenders, the payment shall be invalid and the Lenders shall immediately return such payment to the Borrower through the Agent.
- (10) As long as the right to payment of the claims under this Agreement has not taken effect in accordance with Paragraphs (1) through (5) of this Article, the right to payment of the claims under this Agreement may not be used for setoff. However, even in the event that the right to payment of the claims under this Agreement has taken effect in accordance with Paragraphs (1) through (5) of this Article, the right to payment of the claims under this Agreement may only be used for setoff within the range for the exercise of such rights permitted under Paragraph 8 of this Article.
- (11) In the case where payments of any obligation under this Agreement are delayed to the Repayment Date since the right to payment of the claims under this Agreement has not taken effect in accordance with Paragraphs (1) through (5) of this Article, the Lenders may not claim interest or any other payment in connection with the delay.

Chapter 8 Terms and Conditions to Prepayment

Article 8-1 (Terms and Conditions to Prepayment)

- (1) The Borrower may not make any prepayment of the principal of an Individual Loan, except for (i) in the case where, after the occurrence of a Subordination Event, the conditions precedent regarding such Subordination Event have been fulfilled, or (ii) in the cases set forth in Paragraphs (2) through (3) of this Article.
- (2) Except for the case where a Subordination Event has occurred and continues, if the Borrower gives to the Agent and all Lenders a written notice of its intention to make a prepayment (including the information regarding (a) the amount desired for the prepayment and (b) the desired date to make the prepayment; the same shall apply in this Article) by ten (10) Business Days prior to an Available Prepayment Date, the Borrower may repay to the Lenders all or a part (which shall be one hundred million Yen (¥100,000,000) or more with an increment of one hundred million Yen (¥100,000,000); the same shall apply in this Article) of the principal amount of the Individual Loans on the Available Prepayment Date, as well as the payment of the interest payable on the day on which such prepayment is to be made. If there is any Optional Outstanding Payment Amount on the day on which such prepayment is to be made, the Borrower shall pay, with respect to all Optional Outstanding Payment Amount, the Optional Deferred Payment Amount obtained by multiplying the Optional Outstanding Payment Amount by the percentage of the aggregate principal amount of the Individual Loans subject to such prepayment to the aggregate principal amount of the Outstanding Individual Loan Amount, together with the Additional Interest thereon (if any).
- (3) In the case where a Tax Event or an Equity Credit Change Event has occurred, except for the case where a Subordination Event has occurred and continues, the Borrower may, by giving to the Agent and all Lenders a written notice of its intention to make a prepayment by thirty (30) Business Days prior to the desired date to make such prepayment (which shall be a Business Day), repay to the Lenders all or a part of the principal amount of the Individual Loans, as well as the payment of the interest payable on the day on which such prepayment is to be made and the Break Funding Cost (if any). If there is any Break Funding Cost, each Lender shall notify the Agent of the Break Funding Cost by two (2) Business Days prior to the day on which such prepayment is to be made, and the Agent shall notify the Borrower of the details of such notice by the Business Day immediately preceding the day on which such prepayment is to be made. If there is any Optional Outstanding Payment Amount on the day on which such prepayment is to be made, the Borrower shall pay, with respect to all Optional Outstanding Payment Amount, the Optional Deferred Payment Amount obtained by multiplying the Optional Outstanding Payment Amount by the percentage of the aggregate principal amount of the Individual Loans subject to such prepayment to the aggregate principal amount of the Outstanding Individual Loan Amount, together with the Additional Interest thereon (if any).

Chapter 9 Syndication Terms

Article 9-1 (Rights and Obligations of the Lenders)

- (1) Unless otherwise provided in this Agreement, the obligations of the Lenders under this Agreement shall be independent, and a Lender shall not be released from its obligations under this Agreement for the reason that any other Lender fails to perform such obligations. A Lender shall not be responsible for the failure of any other Lender to perform its obligations under this Agreement.
- (2) If a Lender, in breach of its Lending Obligation, fails to extend the Individual Loan on the Requested Drawdown Date, such Lender shall, upon request by the Borrower, immediately compensate the Borrower for all Damages incurred by the Borrower as a result of such breach of the Lending Obligation; provided, however, that the compensation to the Borrower for such Damages shall be limited to the maximum of the difference between the interest and other expenses that are required or would be required to be paid when the Borrower separately borrows money as a result of the Individual Loan not being made on the Requested Drawdown Date and the interest and other expenses that would have been required to be paid if the Individual Loan were made on the Requested Drawdown Date.
- (3) Unless otherwise provided in this Agreement, the rights of the Lenders under this Agreement are independent and each Lender may exercise its rights under this Agreement separately and independently.

Article 9-2 (Distributions to the Lenders)

- (1) In the case where any amount remains after deducting the amounts under Items (i) and (ii) of the Order of Allocation from the amount withdrawn from the Syndicate Account in accordance with this Agreement, the Agent shall immediately distribute such remaining amount to each Lender in accordance with the provisions of this Article; provided, however, that if such amount was withdrawn from the Syndicate Account as Increased Costs to an Increased Costs Lender, notwithstanding the provisions of this Article, the Agent shall promptly distribute such money to the Increased Costs Lender. If an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to the deposit claim in the Syndicate Account is served on the Agent prior to a withdrawal from the Syndicate Account, the Agent shall have no responsibility to make any withdrawal from the Syndicate Account or any distribution under this Article. In the case where the Agent makes a distribution under this Article in spite of such service of an order, absent willful act or gross negligence on the part of the Agent, the Lenders who received such distribution will return to the Agent the amounts that were distributed immediately upon the request of the Agent. In the case where the refund of distribution is made by the Lenders and the Agent returns the money to the Syndicate Account, the obligations paid by such money by the Borrower shall retroactively become unperformed as of the time of withdrawal of such money from the Syndicate Account.
- (2) In the case where, prior to a distribution by the Agent to the Lenders in accordance with this Article, (i) an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to a loan claim related to the Individual Loans is served on the Borrower, or (ii) a loan claim related to the Individual Loans is assigned, the rights and obligations of the Borrower, the Agent and the Lenders shall be subject to the following provisions:
 - (a) (I) In the case where the Agent completes the distribution to the Lenders pursuant to this Article before receiving a notice from the Borrower that an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*) or attachment (*sashiosae*) with respect to a loan claim was served on the Agent:

In this case, even if the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*), the

Borrower, the Lenders or any other third party suffers any Damages as a result of such distribution by the Agent and the withdrawal from the Syndicate Account prior to such distribution, the Agent shall not be liable in relation thereto, and the relevant Lender with respect to such loan claim shall deal with the matter at its own cost and liability. The relevant Lender with respect to such loan claim shall compensate the Agent for any Damages, if any, incurred by the Agent due to such withdrawal and distribution.

- (II) In the case where the Agent, after the withdrawal of the relevant amount from the Syndicate Account in accordance with this Agreement and before the completion of a distribution to the Lenders pursuant to this Article, receives a notice from the Borrower that an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to the loan claim for which such distribution was made was served on the Agent:

In this case, (i) with respect to the amount subject to such notice, the Agent may withhold the distribution pursuant to this Article, and may take other measures in the manner that the Agent deems reasonable; and (ii) the Agent shall distribute the money withdrawn from the Syndicate Account other than the money subject to such notice to all Lenders other than the Lenders subject to such notice. If the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*), the Borrower, the Lender or any other third party suffers any Damages as a result of the distribution and the withdrawal from the Syndicate Account prior to such distribution by the Agent pursuant to (i) of this Item, the Agent shall not be liable in relation thereto, and the relevant Lender with respect to such loan claim shall deal with the matter at its own cost and liability. The relevant Lender with respect to such loan claim shall compensate the Agent for any Damages, if any, incurred by the Agent due to such withdrawal and distribution.

- (III) In the case where the Agent receives a notice from the Borrower of receipt of a service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) with respect to a loan claim under this Agreement prior to a withdrawal from the Syndicate Account in accordance with this Agreement:

In this case, (i) the Agent shall not withdraw the money subject to such notice from the Syndicate Account in accordance with this Agreement; provided that, notwithstanding such notice, in the case where the notice of the receipt of the service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) is not received from the Borrower in accordance with this Agreement by the Business Day immediately preceding the day of withdrawal by the Agent, the Agent may make the withdrawal from the Syndicate Account and distribution, and (ii) the Agent shall distribute the money withdrawn from the Syndicate Account other than the money subject to such notice to all Lenders other than the Lenders subject to such notice. If the creditor obtaining an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*), the Borrower, the Lender, or any other third party suffers any Damages as a result of the distribution and the withdrawal from the Syndicate Account prior to the distribution by the Agent pursuant to the proviso to (i) of this Item, the Agent shall not be liable in relation thereto, and the relevant Lender with respect to such loan claim shall deal with the matter at its own cost and liability. The relevant Lender with respect to such loan claim shall compensate the Agent for any Damages, if any, incurred by the Agent due to such withdrawal and distribution.

- (b) If the assignor and the assignee, in their joint names, or the Borrower individually, notifies the Agent of an assignment of the loan claim pursuant to this Agreement:

In this case, the Agent shall, after receiving either of such notice(s), immediately commence all administrative procedures necessary in order to treat such assignee as the creditor of such loan claim, and the Agent shall not be held liable, insofar as the Agent treats the previous Lender as the party in interest until the Agent notifies the Borrower, the assignor, and the assignee that such procedures have been completed. If the assignee or any other third party suffers any Damages due to such treatment by the Agent, the Agent shall not be liable in relation thereto, and the assignor of such loan claim shall deal with the matter at their own cost and liability. The assignor of such loan claim shall compensate the Agent for any Damages, if any, incurred by the Agent arising out of this Item.

- (3) A distribution by the Agent to the Lenders shall be made in the order of Items (iii) to (viii) of the Order of Allocation. If a Deficient Item arises in the amounts to be distributed, the allocation and distribution with respect to such Deficient Item shall be made in accordance with the Deficient Item Allocation Method.
- (4) Notwithstanding the provisions regarding the Order of Allocation and the Deficient Item Allocation Method, if, after the occurrence of a Subordination Event, the conditions precedent regarding such Subordination Event was fulfilled and the obligations hereunder were paid, the Agent shall distribute the amount remaining after deducting the amounts described under Items (i) and (ii) of the Order of Allocation from the amount paid by the Borrower, in proportion to the amount of the obligations that the Borrower owes to the Lenders under this Agreement, and the Agent shall bear no liability to the extent that the Agent makes such distribution. In this case, the allocation shall be made in the order and the method that the Lender deems appropriate, and the Lender shall promptly report to the Agent contents of allocation.
- (5) If the remittance of money by the Borrower to the Syndicate Account is made later than the Due Time, the Agent shall be under no obligation to make the distribution under Paragraph (1) of this Article on the same date. In such case, the Agent shall make such distribution immediately after receiving remittance from the Borrower, and the Borrower shall bear any Damages, if any, incurred by the Lenders or the Agent as a result thereof.
- (6) Upon request from the Agent, and if such request is based on a reasonable cause, the Lenders receiving such request shall immediately notify the Agent of the amount (including specifics) of the claims they hold against the Borrower under this Agreement. In this case, the obligation of the Agent to make a distribution under Paragraph (1) of this Article shall arise at the time all such notices reach the Agent. In the case where a Lender delays such notice without reasonable cause, such Lender shall bear all Damages, if any, incurred by the Lenders or the Agent due to such delay.
- (7) The Agent may make a distribution to the Lenders by Temporary Advance. If the Temporary Advance is not cleared by the Due Time, the Lenders who received the distribution pursuant to this Paragraph shall, immediately upon the Agent's request, reimburse to the Agent the amount of such Temporary Advance that it received. The Lenders shall, immediately upon the Agent's request, pay to the Agent any Temporary Advance Costs required in making such Temporary Advance, in proportion to the amount of Temporary Advance that it received. If a Lender pays such Temporary Advance Costs to the Agent and if the relevant Temporary Advance is made based on the Borrower's request, the Borrower shall compensate such Lender for such Temporary Advance Costs.

Article 9-3 (Rights and Obligations of the Agent)

- (1) The Agent shall, on behalf of all Lenders, perform the duties, and exercise the rights, set forth in each provision of this Agreement entrusted by all Lenders to the Agent (referred to in this Paragraph as the

“Agency Services”), and shall exercise such rights as, in the Agent’s opinion, are ordinarily necessary or appropriate upon performing the Agency Services. The Agent shall not be liable for any obligation other than those expressly specified by the provisions of this Agreement, nor be liable for any non-performance of obligations by any of the Lenders under this Agreement. The Agent shall be an agent of the Lenders and, unless otherwise provided, shall not be an agent of the Borrower. The Borrower shall pay a fee separately agreed with the Agent (the “Agency Fee”) in consideration of the Agent undertaking the Agency Services under this Agreement.

- (2) The Agent may rely upon any communication, instrument and document that has been delivered by an appropriate person with the signature or the name and seal of such appropriate persons and believed by the Agent to be true and correct, and may act in reliance upon any written opinion or explanatory letter of experts reasonably appointed by the Agent within the necessary extent in relation to this Agreement.
- (3) The Agent shall perform its duties and exercise its authorities provided for in this Agreement with the due care of a good manager.
- (4) Neither the Agent nor any of its directors, employees or agents shall be liable to the Lenders for any actions or omissions pursuant to, or in connection with, this Agreement, unless there is a willful misconduct or gross negligence on its or their part. The Lenders other than the Agent shall jointly and severally indemnify the Agent for any and all liabilities and Damages incurred by the Agent in the course of the performance of its duties under this Agreement, to the extent not reimbursed by the Borrower, and only for the amount outstanding after deducting the portion for which the Agent should contribute, calculated pursuant to the Participation Ratio of the Lender acting as the Agent (provided, however, that with respect to any Lender whose Lending Obligation has been cancelled but has Outstanding Individual Loan Amounts, for purposes of calculating its Participation Ratio for such indemnity, its Commitment Amount shall be deemed to be equivalent to the principal portion of the Outstanding Individual Loan Amount for such Lender. In addition, where the Lending Obligation has been cancelled for all Lenders, prior to the repayment of all amounts due and payable under this Agreement the Participation Ratio for each Lender for such indemnity shall be equivalent to its pro rata share of the Total Loan Balance with respect to the principal portion of the Outstanding Individual Loan Amount with respect to such Lender, and if any of the Lenders cannot perform the indemnity for which it is liable, the Participation Ratio of the Lender acting as the Agent shall be figured by dividing the Participation Ratio of the Lender acting as the Agent by the aggregate of the Participation Ratios of the Lenders excluding such non-indemnifying Lender).
- (5) The Agent shall not guarantee the validity of this Agreement, or any matters represented in this Agreement, and the Lenders shall enter into, and conduct transactions contemplated in, this Agreement at their sole discretion by conducting investigations as to the creditworthiness of the Borrower and other necessary matters on the basis of the documents, information and other data as they deem appropriate.
- (6) In the case where the Agent is also acting as a Lender, the Agent shall have the same rights and obligations as other Lenders under this Agreement, irrespective of the Agent’s obligations under this Agreement. The Agent may engage in commonly accepted banking transactions with the Borrower outside the scope of this Agreement. The Agent shall not be required to disclose to other Lenders any information relating to the Borrower obtained through transactions outside the scope of this Agreement, nor shall the Agent be required to distribute to other Lenders any amount it has received from the Borrower through transactions with the Borrower outside the scope of this Agreement (any information that the Agent has received from the Borrower shall be, unless expressly identified as being made pursuant to this Agreement, deemed obtained in relation to the transactions outside the scope of this Agreement.)
- (7) In the case where the Agent is also acting as a Lender, in the calculation of amounts to be distributed to each Lender pursuant to the provisions of this Agreement, the amounts to be distributed to each Lender other than the Agent shall be determined by discarding any amount less than one Yen (¥1), and the

amount remaining after deduction of the amounts distributed to other Lenders from the aggregate distribution amounts shall be the amounts to be distributed to the Lender who is also acting as the Agent.

- (8) Except for the preceding Paragraph, the handling of fractions less than one Yen (¥1) that are required under this Agreement shall be made in the manner the Agent deems appropriate.
- (9) In the case where the Agent receives any notice from the Borrower which is required to be given to the Lenders in accordance with this Agreement, the Agent shall immediately inform all Lenders of the details of such notice, or if the Agent receives any notice from a Lender which is required to be given to the Borrower or other Lenders in accordance with this Agreement, the Agent shall immediately inform the Borrower or all Lenders other than the Lender who gave such notice of the details of such notice. The Agent shall make available for review by the Lenders during the ordinary business hours any documents obtained from the Borrower and kept by the Agent.

Article 9-4 (Resignation and Dismissal of the Agent)

- (1) The procedures for resignation of the Agent shall be as follows:
 - (i) The Agent may resign from its position by giving a written notice to all Lenders and the Borrower; provided, however, that such resignation shall not become effective until a successor Agent is appointed and accepts such appointment.
 - (ii) In the case where the notice is given pursuant to the preceding Item, the Majority Lenders shall appoint a successor Agent upon obtaining the consent of the Borrower.
 - (iii) In the case where a successor Agent is not appointed by the Majority Lenders within thirty (30) days from the date the notice under Item (i) above is given, or if the entity appointed by the Majority Lenders does not agree to assume the position, the Agent in office at that time shall, upon obtaining consent from the Borrower, appoint a successor Agent in lieu of the Majority Lenders.
- (2) The procedures for dismissal of the Agent shall be as follows:
 - (i) The Majority Lenders may dismiss the Agent by giving a written notice thereof to each of the other Lenders, the Borrower and the Agent; provided, however, that such dismissal shall not become effective until a successor Agent is appointed and accepts such appointment.
 - (ii) In the case where the notice is given pursuant to the preceding Item, the Majority Lenders shall appoint a successor Agent upon obtaining the consent from the Borrower.
- (3) In the case where the entity appointed as the successor Agent under the preceding two (2) Paragraphs accepts the appointment, the former Agent shall deliver to the successor Agent all documents and materials it retained as the Agent under this Agreement, and shall give all the cooperation necessary for the successor Agent to perform its duties as the Agent set forth under this Agreement.
- (4) The successor Agent shall succeed to the rights and obligations of the former Agent under this Agreement, and the former Agent shall, at the time of assumption of office by the successor Agent, be released from all of its obligations as the Agent; provided, however, that the provisions of this Agreement relevant to any actions (including omissions) conducted by the former Agent during the period it was in office shall remain effective.
- (5) In the case where any of the following events occurs, the Agent may resign with the agreement of the Majority Lenders, notwithstanding the preceding four (4) Paragraphs. In the case where the Agent resigns under this Paragraph, the resigning Agent shall promptly notify the Borrower and the Lenders, other than the Lenders who made such agreement, of such resignation and the Borrower shall not make any objection to such resignation. Further, the Majority Lenders may appoint a successor Agent by mutual

agreement, and the Borrower shall not make any objection to such appointment (and if the entity appointed as the successor Agent accepts such appointment, the provisions of the preceding two (2) Paragraphs shall apply). Even in the case where the Agent resigns under this Paragraph, the Borrower shall not be exempted from payment of the accrued Agency Fees.

- (i) In the case where there is a petition (including a similar petition filed outside Japan) for bankruptcy (*hasan*), commencement of rehabilitation procedures (*saiseituzuki-kaishi*), commencement of reorganization procedures (*koseituzuki-kaishi*), commencement of special liquidation (*tokubetsu-seisan*), or commencement of any other similar legal rearrangement procedure is filed against the Borrower;
 - (ii) In the case where the Borrower fails to pay the Agency Fee, and if, although the Agent requests the Borrower to pay the Agency Fee by setting a reasonable period of time, the Borrower fails to pay the Agency Fee within such period.
- (6) In the case where a successor Agent is not promptly appointed by agreement of the Majority Lenders when the Agent resigns under the preceding Paragraph, the Majority Lenders and the Agent (provided that, when the Agent has already resigned, the Majority Lenders) shall, to the extent reasonably required in order to make it possible for each Lender to act for itself, make necessary or appropriate changes to this Agreement, including a possible deletion of or amendment to provisions relating to the Agent in this Agreement.

Article 9-5 (Decisions of Majority Lenders)

- (1) The procedures for seeking decisions of the Majority Lenders shall be as follows:
- (i) When an event requiring the instruction of the Majority Lenders under this Agreement occurs, a Lender may give a notice to the Agent to request a decision of the Majority Lenders.
 - (ii) The Agent shall, upon receipt of a notice under the preceding Item, immediately give to all Lenders a notice that it will seek a decision of the Majority Lenders.
 - (iii) Each Lender shall, upon receipt of the notice under the preceding Item, make its decision on the relevant event and inform the Agent of such decision within a reasonable period designated by the Agent (in principle, by five (5) Business Days after the receipt of the notice under the preceding Item).
 - (iv) If a decision of the Majority Lenders is made pursuant to the preceding three Items, the Agent shall immediately notify the Borrower and all Lenders of such decision as the instruction by the Majority Lenders.
- (2) In addition to the preceding Paragraph, in the case where the Agent itself decides that an event which requires a decision of the Majority Lenders has occurred, the Agent may give all Lenders a notice to seek such decision. The procedures after giving such notice shall follow the provisions of Items (iii) and (iv) of the preceding Paragraph.

Article 9-6 (Collection from a Third Party)

Without the prior written consent of the Agent and all of the Lenders, no third party other than the Borrower shall be entitled to repay the obligations of the Borrower under this Agreement.

Article 9-7 (Assignment of Position)

- (1) The Borrower shall not assign to any third party its position, rights or obligations under this Agreement without the prior written consent of all Lenders and the Agent.

- (2) Prior to the end of the Commitment Period, a Lender may assign to any third party its position under this Agreement, and all or any part of its rights and obligations associated therewith, only when the Borrower and the Agent give prior written consent thereto and all requirements described in each Item below are satisfied (provided, however, that this provision shall not apply to the assignment of loan claims otherwise provided in this Agreement. Hereafter, the Lender making the relevant assignment shall be referred to as the “Position Assignor” and the Lender accepting the relevant assignment shall be referred to as the “Position Assignee”.) Upon the relevant assignment taking effect, the Agent shall provide notice thereof to all of the Lenders. In the case where the Agent incurs any Damages in relation to the perfection relating to a consent under Item (i) below, the Position Assignor and the Position Assignee shall bear them.
- (i) In the case where the Position Assignor owns loan claims, the consent of the Borrower hereunder shall be deemed to include consent to the assignment of such loan claims, and, promptly following the date of assignment, certification of the date thereof shall be obtained.
 - (ii) With respect to a partial assignment of a position under this Agreement and the rights and obligations associated therewith, following the date of assignment the Position Assignor and the Position Assignee shall both become Lenders under the Agreement and bound to the terms and conditions thereof, and the Commitment Amount of the Position Assignor following the assignment (hereafter for the purposes of this provision, the “Pre-Assignment Commitment Amount”) shall only be reduced by such amount as separately agreed between the Position Assignor and Position Assignee (hereafter for the purposes of this provision, the “Reduction Amount”), and a Commitment Amount in the same amount as the Reduction Amount (provided, however, that if the Position Assignee is already an existing Lender prior to the relevant assignment, the Position Assignee’s Commitment Amount shall be the amount of its Commitment Amount prior to the assignment plus the Reduction Amount), and the principal, Default Interest and any other amount for which the Borrower bears a payment obligation relating to the assigned loan claims prior to the assignment, pro rata to the percentage derived by dividing the Reduction Amount by the Pre-Assignment Commitment Amount (hereafter for the purposes of this provision, the “Reduction Ratio”) and the portion of loan claims derived by application of the Reduction Ratio shall be assigned to the Position Assignee.
 - (iii) The Position Assignee shall be a qualified institutional investor as set forth in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act and Article 10, Paragraph 1 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act and is not a money lending business operator as set forth in the Money Lending Business Act. In the case of any acceleration with respect to the Borrower, the Position Assignee shall also be a legal entity resident in Japan.
 - (iv) With respect to a partial assignment of a position under this Agreement and the rights and obligations associated therewith, the (i) Reduction Amount and (ii) the amount equivalent to the Pre-Assignment Commitment Amount minus the Reduction Amount will each be no less than one hundred million Yen (¥100,000,000).
 - (v) No withholding tax or other taxes arise from such assignment, and there is no increase in the amount of the Borrower interest expense, or any other payment amount, payable to the Position Assignee.
- (3) All expenses arising from an assignment under the preceding Paragraph (2) shall be borne by the Position Assignor and/or Position Assignee. The Increased Costs provision of this Agreement shall apply with respect to any Increased Costs incurred after the assignment. The Position Assignor shall, promptly upon such assignment, pay to the Agent five hundred thousand Yen (¥500,000) for each Position Assignee and for each Individual Loan, together with the consumption tax thereon, in consideration of the procedures, etc., for such assignment.

Article 9-8 (Assignment of Loan Claim)

- (1) After the end of the Commitment Period, unless otherwise provided in this Agreement, a Lender may assign its loan claims when all requirements described in each Item below are satisfied (with respect to assignment of loan claims by a Lender during the Commitment Period, the provisions of Article 9-7 shall apply). The assignor and the assignee shall, promptly after the date of assignment, perfect the assignment against the third parties and the obligor. In this case, the assignor and assignee, in their joint names, and the Borrower individually, shall promptly notify the Agent of the fact that such assignment was made, and in the case where the Agent incurs any Damages in relation to the perfection, the assignor and the assignee shall bear them. In the case where an assignment of loan claims is made pursuant to this Paragraph, any and all rights relating to the assigned loan claims among the rights of the assignor under this Agreement shall transfer to the assignee, and any and all obligations relating to the assigned loan claims among the obligations of the assignor under this Agreement shall be borne by such assignee. The Borrower consents in advance to the transfer of the rights to, and bearing of the obligations by, the assignee. In this case, the assignee shall be treated as a Lender in connection with the application of the provisions of this Agreement relating to the loan claims so assigned.
 - (i) The assignee shall be bound by the provisions in connection with the loan claims under this Agreement relating to the loan claims so assigned (an assignee under this Paragraph shall not bear Loan Obligations).
 - (ii) The assignee is a qualified institutional investor as set forth in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act and Article 10, Paragraph 1 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act, and a legal entity resident in Japan.
 - (iii) In the case where the assigned loan claim will be divided, the amount after division will not be less than one hundred million Yen (¥100,000,000).
 - (iv) No withholding tax or other taxes arise from such assignment, and there is no increase in the amount of the Borrower interest expense, or any other payment amount, payable to the assignee.
- (3) All expenses arising from the assignment under the preceding Paragraph shall be borne by the assignor and/or assignee. The Increased Costs provision of this Agreement shall apply with respect to any Increased Costs incurred after the assignment. The assignor shall, promptly upon such assignment, pay to the Agent five hundred thousand Yen (¥500,000) for each assignee and for each Individual Loan, together with the consumption tax thereon, in consideration of the procedures, etc., for such assignment.

Article 9-9 (Miscellaneous)

- (1) Disclosure of Information

The Borrower shall not object to the disclosure of the information in each of the following Items. In this Paragraph, the information with regard to this Agreement shall mean any information regarding the credit of the Borrower that has been obtained in connection with this Agreement, any information regarding the contents of this Agreement and other information incidental thereto, and any information regarding the contents of the loan claims subject to the transaction and other information incidental thereto, and for the purpose of Item (ii) below, shall not include any information regarding the credit of the Borrower that has been obtained in connection with any agreement other than this Agreement:

- (i) In the case where a notice of non-lending has been given by a Non-lending Lender, or if any of the Subordination Events has occurred, or if a decision of the Majority Lenders has been required, the Agent and the Lenders may disclose with each other any information with regard to the Borrower and transactions with the Borrower, which either party has obtained through this Agreement or an agreement other than this Agreement, to the extent reasonably required;

- (ii) Upon the assignment of loan claims, the execution of a guaranty or debt assumption (including physical guaranty) without delegation from the Borrower for an obligation borne by the Borrower under this Agreement, or the sale of a loan participation of a loan claim under this Agreement, a Lender may disclose any information with regard to this Agreement to an assignee (including a Position Assignee), the guarantor, successor to debt, purchaser of a loan participation, and any person considering such assignment, guaranty, debt assumption, or purchase of a loan participation (including an intermediary of such transaction), on the condition that the Lender imposes the confidentiality obligations on the other party.
- (iii) A Lender may disclose information with regard to this Agreement, to the extent reasonably required, upon an order, direction, request, or the like made pursuant to the Laws and Ordinances or by administrative agencies, judicial agencies or other relevant authorities in Japan and foreign countries, central banks, or self-regulatory agencies, or to an attorney, judicial scrivener, certified public accountant, accounting firm, tax accountant, rating agency, or any other expert who needs to receive the disclosure of the information in relation to his/her works. A Lender may also disclose the information with regard to this Agreement to its parent company, subsidiary or affiliate to the extent necessary and appropriate for internal control purposes.

(2) Default Interest

In the case where the Borrower delays the performance of an obligation under this Agreement to a Lender or the Agent, the Borrower shall, immediately upon the request of the Agent, for the period from (and including) the day that the delinquent obligation (referred to in this Paragraph as the “Delinquent Obligation”) should have been performed (referred to in this Paragraph as the “Due Date”) to (and including) the day on which the Delinquent Obligation is performed in full, pay default interest on the amount of the Delinquent Obligation at the rate of fourteen percent (14%) per annum, in accordance with the provisions of this Agreement. The calculation method for such default interest shall be on a per diem basis, inclusive of the first day and exclusive of the last day, wherein divisions shall be done at the end of the calculation, and fractions less than one Yen (¥1) shall be rounded down; provided, however, that the Borrower shall not be required to pay default interest if (i) the delay of performance is caused by a clerical or technical error and (ii) the Delinquent Obligation is performed in full within one (1) Business Day after the Due Date.

(3) Expenses and Taxes and Public Charges

- (i) All reasonable expenses (including reasonable attorneys’ fees) arising from the preparation of this Agreement and documents relating hereto and their amendment and revision, and all reasonable expenses (including reasonable attorneys fees) of the Lenders and the Agent incurred to ensure and enforce rights under this Agreement or in performing obligations, shall be borne, within reasonable limits, by the Borrower, as long as not in violation of Laws and Ordinances, and in the case where the Lenders or the Agent bear any such on behalf of the Borrower, the Borrower shall, immediately upon the request of the Agent, pay such amount in accordance with the provisions of this Agreement.
- (ii) Revenue stamp tax and other similar Taxes and Public Charges arising in connection with the preparation, amendment, implementation, etc., of this Agreement and documents relating hereto shall all be borne by the Borrower, and in the case where the Lenders or the Agent bear any such on behalf of the Borrower, the Borrower shall, immediately upon the request of the Agent, pay such amount in accordance with the provisions of this Agreement.
- (iii) Any Lender that does not have its head office in Japan shall, promptly after the date of execution of this Agreement, obtain the certificate of exemption from withholding tax for a foreign entity or non-resident from the competent tax authority, and submit a copy of such certificate to the Borrower through the Agent. Any Lender for which the expiration date of such certificate of tax

exemption will fall during the period from the date of execution of this Agreement until its termination, and to the date of the receipt of repayment in regard to all Outstanding Individual Loan Amount, shall in the same way submit a valid certificate of exemption promptly after the expiration of such period. In the event that the Agent incurs any Damages as a result of a certain Lender not fulfilling the obligations under this Item, such Lender shall bear such Damages.

- (iv) The provisions of the immediately preceding Item shall apply to any Position Assignee and assignee in the case of an assignment of a position or loan claims under this Agreement.

(4) Amendments

This Agreement shall not be amended except with the written agreement of the Borrower, all Lenders and the Agent; provided, however, that the changes set forth in Article 9-4, Paragraph (6) shall be subject to the procedures set forth in such Paragraph.

(5) Burden of Risk, Exemptions, and Compensation and Indemnity

- (i) If any documents furnished by the Borrower to the Agent or a Lender are lost, destroyed or damaged by an accident, natural disaster, or other unavoidable cause, the Borrower shall, upon consultation with the Agent, perform its obligations under this Agreement based on the books, vouchers, and other records (limited to those of a reasonable nature) of the Agent or the relevant Lender. The Borrower shall, upon request of the Agent or a Lender through the Agent, forthwith prepare substitute documents and furnish them to the Agent or the relevant Lender through the Agent.
- (ii) If a Lender or the Agent performs a transaction after comparing, with due care, the seal of the representative and the agent of the Borrower used for the transaction in relation to this Agreement with the seal reported by the Borrower in advance, and finding no discrepancy, the Borrower shall bear any Damages, if any, arising as a result of any forgery, alteration, theft, or other accident to such seal.
- (iii) The Borrower shall bear any Damages arising with respect to a Lender or the Agent as a result of a breach of this Agreement by the Borrower.

(6) Severability

Even if any part of the provisions of this Agreement becomes null, illegal, or unenforceable, the validity, legality and enforceability of all other provisions shall in no way be prejudiced or affected.

(7) Calculations

Unless otherwise expressly provided, in any calculation under this Agreement, the actual number of days of a period shall be counted inclusive of the first and the last day of the period, the calculation shall be made on a per diem basis, the division shall be done at the end of the calculation, and fractions less than one Yen (¥1) shall be rounded down.

(8) Preparation of Notarial Deed

The Borrower shall, at any time upon the request of the Agent or Majority Lenders, take the necessary procedures to entrust a notary public to execute a notarial deed acknowledging the obligations under this Agreement and agreeing to compulsory execution with regard thereto.

(9) Continuation of Rights

The fact of non-exercise of all or any rights under this Agreement by the Agent and the Lenders or a delay in the time of such exercise, shall, in no event, be interpreted as an abandonment of such right by the Agent and the Lenders or a waiver or reduction of the obligations of the Borrower, and shall not have any effect on the rights or obligations of the Agent and the Lenders.

(10) Non-applicability of Agreement on Banking Transactions

The agreement on banking transactions (*ginko-torihiki-yakujo-sho*) or other similar agreement (if any) separately submitted to a Lender by the Borrower or entered into between the Borrower and a Lender shall not apply to this Agreement and the transactions contemplated in this Agreement.

(11) Governing Law and Jurisdiction

This Agreement shall be governed by the laws of Japan, and the Tokyo District Court shall have agreed non-exclusive jurisdiction over any disputes arising in connection with this Agreement.

(12) Language

This Agreement shall be prepared in the Japanese language and the Japanese language version shall be the original.

(13) Matters for Discussion

Any matters not provided for in this Agreement, or in the case of any doubt among the parties with respect to the interpretation of this Agreement, the Borrower and the Lenders shall consult through the Agent and shall determine the response therefor.

In witness of the above, this Agreement has been prepared in one (1) original, and upon affixing names and seals of the representatives or agents of the Borrower, the Agent shall keep it for itself, the Lenders and the Borrower. Each of the Borrower and the Lenders shall receive a copy with certification of custody of the original.

October 26, 2018

[revenue stamp six hundred thousand Yen (¥600,000)]

Borrower: TAKEDA PHARMACEUTICAL COMPANY
LIMITED

_____ [Seal]

Agent: Sumitomo Mitsui Banking Corporation

_____ [Seal]

Lender: Sumitomo Mitsui Banking Corporation

_____ [Seal]

Lender: MUFG Bank, Ltd.

_____ [Seal]

Lender: Mizuho Bank, Ltd.

_____ [Seal]

Lender: The Norinchukin Bank

_____ [Seal]

Lender: Sumitomo Mitsui Trust Bank, Limited

_____ [Seal]

**CONTACT DETAILS OF PARTIES
INITIAL COMMITMENT AMOUNTS OF LENDERS
AND
METHOD OF NOTICES**

1. Borrower

Borrower and Department	Address	Tel/Fax
TAKEDA PHARMACEUTICAL COMPANY LIMITED Finance/Financial Management/ Financial Planning Dept.	2-2-1, Nihonbashi Honcho, Chuo-ku, Tokyo 103-8668	03-3279-2284 03-3278-2198

2. Agent

Agent and Department	Address	Tel/Fax
Sumitomo Mitsui Banking Corporation Inter-Market Settlement Department, Syndication Group	13-6, Nihombashi Kodenma-cho, Chuo-ku, Tokyo 103-0001	03-5640-6688 03-5695-5214

3. Lenders

Lender and Department	Initial Commitment Amount	Address	Tel/Fax
Sumitomo Mitsui Banking Corporation, Head Office Department 8	150,000,000,000 Yen	1-1-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005	03-4333-3801 03-4333-9667
MUFG Bank, Ltd., Corporate Banking Group No. 2, Corporate Banking Division No. 5	150,000,000,000 Yen	2-7-1, Marunouchi, Chiyoda-ku, Tokyo 100-8388	03-3240-8299 03-3240-2360
Mizuho Bank, Ltd., Corporate Banking Department No. 3	100,000,000,000 Yen	1-5-5. Otemachi, Chiyoda-ku, Tokyo 100-8176	03-6734-5754 03-3214-0628
The Norinchukin Bank Food & Agriculture Banking Business, Corporate Business Div. I	50,000,000,000 Yen	1-13-2, Yurakucho, Chiyoda-ku, Tokyo 100-8420	050-3853-2163 03-3218-5115
Sumitomo Mitsui Trust Bank, Limited Head Office Corporate Division 3	50,000,000,000 Yen	1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233	03-6256-5705 03-6256-5709
Total	500,000,000,000 Yen		

4. Methods of Notice

- (1) Notices under this Agreement shall all be in writing, shall each clearly state that it is being made under this Agreement, and shall be made by one of the methods (i) to (iii) set out below to the address reported under this Agreement by the intended recipient. Each party to this Agreement shall be able to change its address by a notice of change of address to the Agent.
 - (i) direct hand delivery
 - (ii) registered mail or courier service
 - (iii) fax transmission (provided that, in the case of the method in Item (iii), for the notices listed below, the original shall be sent afterwards to the counterparty by either of the methods (i) or (ii))
 - (a) Receipt
 - (b) Notice to be given by the Borrower to the Agent in regard to receipt of service of an order for provisional attachment (*kari-sashiosae*), preservative attachment (*hozen-sashiosae*), or attachment (*sashiosae*) of a loan claim.
 - (c) Report of seal or signature on the stipulated form of the Agent and report of change of the Items reported to the Agent.
 - (d) Any other notice for which the recipient requests the original on a reasonable ground
- (2) A notice under the preceding Item shall be effective, in the case of fax transmission, upon receipt, and for other methods, at the time of actual receipt.

5. Change to Reported Matters

- (1) In the case of a change in the trade name, representative, agent, signature, seal, location, or other matter reported to the Agent, of a Lender and the Borrower, a written notice shall be promptly given to the Agent.
- (2) In the case where a notice under this Agreement is delayed or does not arrive as a result of a failure to report under the preceding Item, it shall be deemed to have arrived at the time it could be expected to have arrived.

PRINCIPAL PAYMENT SCHEDULE, INTEREST PAYMENT DATE SCHEDULE

1. Principal Payment Schedule for Individual Loans

Principal Payment Date	Principal Payment Amount
60 th anniversary of the Drawdown Date (Maturity Date)	Initial loan drawdown amount ^(*)

^(*) The initial loan drawdown amount is the total amount of the Individual Loan disbursed by each of the Lenders under the Drawdown Notice relating to such loans.

The allocation of payment amounts to each Lender on each Principal Payment Date is as set out below.

	Each Lender excluding Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation
Maturity Date	For each Lender, the entire principal portion of its Outstanding Individual Loan Amount	

Attachment 3

[DATE]

To: Sumitomo Mitsui Banking Corporation
Inter-Market Settlement Department

[ADDRESS]

[NAME]

[Registered Seal]

DRAWDOWN NOTICE

We refer to the Subordinated Syndicated Loan Agreement dated October 26, 2018 entered into by and between the Borrower and, *inter alia*, Sumitomo Mitsui Banking Corporation as the Agent (hereafter the “Agreement”). Defined terms used herein but not otherwise defined shall have the meanings ascribed to them in the Agreement.) for the initial Total Commitment Amount of ¥500,000,000,000 as of the execution date of the Agreement, and subject to the terms and conditions thereof, we wish to borrow loans on the terms set out below. We confirm that as of the date of the Drawdown Notice and presently on the Requested Drawdown Date set out below, each condition precedent prescribed in Article 2-2 of the Agreement relating to the Lending Obligations is fulfilled.

Total Amount	Yen
Requested Drawdown Date	[•] [•] , [•] (Day of the Week)
Purpose of Funds	Repayment of the debt borrowed pursuant to the SSTL on the Requested Drawdown Date

With respect to the Individual Loans that are disbursed in accordance with this Drawdown Notice, the Principal Payment Date, Interest Payment Date and Principal Payment Amount and the handling of the Principal Payment Date and the Interest Payment Date in event such days falling on a bank holiday shall be as set out in the relevant provisions of the Agreement.

EXCLUSION OF ANTI-SOCIAL FORCES

- (1) Members of Organized Crime Groups, etc.
 - (a) Organized Crime Groups (*boryokudan*) (an organization whose members (including members of member organizations) are suspected of supporting collective or habitual violent and unlawful conduct; the same shall apply hereinafter);
 - (b) Organized Crime Group Members (*boryokudan in*) (constituent members of Organized Crime Groups; the same shall apply hereinafter);
 - (c) Persons who ceased being Organized Crime Group Members less than five (5) years ago;
 - (d) Quasi-members of Organized Crime Groups (*boryokudan jun kosei in*) (persons associated with Organized Crime Groups, other than members of Organized Crime Groups, who are suspected of engaging in violent and unlawful conduct backed by threats from Organized Crime Groups or who support or cooperate with or participate in the maintenance or operation of Organized Crime Groups through the provision of funds, weapons, etc. to Organized Crime Groups or Organized Crime Group Members; the same shall apply hereinafter);
 - (e) Corporations associated with Organized Crime Groups (corporations in which Organized Crime Group Members actively participate, corporations that are managed by Quasi-members of Organized Crime Groups or former Organized Crime Group Members and actively support or cooperate with or participate in the maintenance or operation of Organized Crime Groups through provision of funds, etc. or corporation that actively use Organized Crime Groups in their business or operations and support or cooperate with the maintenance or operation of Organized Crime Groups);
 - (f) Corporate racketeers (*sokaiya*), etc. (persons suspected of engaging in violent and unlawful conduct to demand improper gains from corporations and threatening the peaceful lives of the public, such as corporate racketeers and corporate fraudsters);
 - (g) Social campaign racketeers (persons who profess or claim to be engaged in social campaigns or political activities who are suspected of engaging in violent and unlawful conduct to demand improper gains and threatening the peaceful lives of the public);
 - (h) Special intelligence criminal organizations (organizations or persons other than those specified in (a) through (g) above who engage primarily in organized unlawful conduct with using threats backed by relationships with Organized Crime Groups or capital ties to Organized Crime Groups); and
 - (i) Other persons comparable to those specified in (a) through (h) above.

(The persons specified in (a) through (i) above are collectively referred to as “Organized Crime Group Members, etc.”)
- (2) Relationships with Organized Crime Group Members, etc.
 - (a) Relationships recognized as management controlled by Organized Crime Group Members, etc.;
 - (b) Relationships recognized as Organized Crime Group Members, etc. substantially participating in management;
 - (c) Relationships recognized as improperly using Organized Crime Group Members, etc. such as acting with the intent to gain improper benefit for oneself, one’s company, or a third party or to harm a third party;

- (d) Relationships recognized as ones providing funds, etc. or providing support to Organized Crime Group Members, etc.; and
 - (e) Relationships that are socially condemned existing between officers or persons substantially participating in management and Organized Crime Group Members, etc.
- (3) Unlawful or Improper Conduct
- (a) Making violent demands;
 - (b) Making improper demands that exceed legal responsibility;
 - (c) Engaging in threatening speech or conduct or using violent conduct in relation to transactions;
 - (d) Spreading of rumors, using fraudulent means, or using threats to harm the reputation of the Lenders or the Agent or to obstruct the business of the Lenders or the Agent; and
 - (e) Any other act similar to (a) through (d) above.

TAKEDA PHARMACEUTICAL COMPANY LIMITED
The Company

MUFG Bank, Ltd.
Fiscal Agent

FISCAL AGENCY AGREEMENT

Dated as of November 21, 2018

€1,250,000,000 0.375% Senior Notes due 2020
€1,000,000,000 Senior Floating Rate Notes due 2020
€1,500,000,000 1.125% Senior Notes due 2022
€750,000,000 Senior Floating Rate Notes due 2022
€1,500,000,000 2.250% Senior Notes due 2026
€1,500,000,000 3.000% Senior Notes due 2030

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FISCAL AGENCY AGREEMENT, dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited, a joint-stock corporation (*kabushiki kaisha*) organized under the laws of Japan (the “**Company**”), and MUFG Bank, Ltd., incorporated with limited liability in Japan, as fiscal agent (the “**Fiscal Agent**”).

WITNESSETH

WHEREAS, the Company has duly authorized the issuance of its €1,000,000,000 Senior Floating Rate Notes due 2020 (the “**2020 Floating Rate Notes**”) and €750,000,000 Senior Floating Rate Notes due 2022 (the “**2022 Floating Rate Notes**”) and, together with the 2020 Floating Rate Notes, the “**Floating Rate Notes**”) and its €1,250,000,000 0.375% Senior Notes due 2020 (the “**2020 Notes**”), €1,500,000,000 1.125% Senior Notes due 2022 (the “**2022 Notes**”), €1,500,000,000 2.250% Senior Notes due 2026 (the “**2026 Notes**”) and €1,500,000,000 3.000% Senior Notes due 2030 (the “**2030 Notes**”) and, together with the 2020 Notes, the 2022 Notes and the 2026 Notes, the “**Fixed Rate Notes**”) (the Fixed Rate Notes together with the Floating Rate Notes, the “**Notes**”) and to provide, among other things, for the execution, authentication, delivery and administration thereof, the Company has duly authorized the execution and delivery of this Agreement; and

WHEREAS, all things necessary to make the Notes, when executed and delivered by the Company and authenticated and delivered as provided in this Agreement, the valid, binding and legal obligations of the Company, and to constitute these presents a valid agreement of the Company according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Notes by the holders thereof, the Company covenants and agrees for the equal and proportionate benefit of the respective holders of the Notes from time to time as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.1. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with International Financial Reporting Standards;
- (3) unless the context otherwise requires, any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Agreement;
- (4) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and
- (5) the following expressions shall have the following meanings:

“**2022 Par Call Date**” has the meaning specified in Section 10.1.

“**2026 Par Call Date**” has the meaning specified in Section 10.1.

“**2030 Par Call Date**” has the meaning specified in Section 10.1.

“**Act**”, when used with respect to any Holder, has the meaning specified in Section 1.4.

“**Act on Special Taxation Measures**” has the meaning specified in Section 9.5.

“**Additional Amounts**” has the meaning specified in Section 9.5.

“**Additional Amounts Event**” has the meaning specified in Section 10.2.

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agent**” means any Notes Registrar, Paying Agent or Calculation Agent.

“**Agent Members**” has the meaning specified in Section 2.13(g).

“**Agreement**” means this Fiscal Agency Agreement as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

“**Applicable Procedures**” has the meaning specified in Section 2.6(e).

“**Authorized Officer**” means any person (whether designated by name or the person for the time being holding a designated office) appointed by or pursuant to a Board Resolution or otherwise for the purpose, or a particular purpose, of this Agreement, provided that written notice of such appointment shall have been given to the Fiscal Agent.

“**Board of Directors**” means the board of directors of the Company or any committee or member thereof duly authorized to act for it in respect hereof.

“**Board Resolution**” means a copy of a resolution or decision certified by an authorized Director or any other Authorized Officer of the Company to have been duly adopted or made by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Fiscal Agent.

“**Business Day**” means both a day on which the TARGET2 System is open, and a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London or Tokyo.

“**Calculation Agent**” means any Person authorized by the Company to calculate the payment of interest on any Floating Rate Notes on behalf of the Company, which shall initially be MUFG Bank, Ltd.

“**Clearstream**” means Clearstream Banking S.A.

“**Closing Date**” means November 21, 2018.

“**Company**” means the Person named as the “Company” in the first paragraph of this instrument until a Successor Person shall have become such pursuant to the applicable provisions of this Agreement, and thereafter “**Company**” shall mean such Successor Person.

“**Company Request**” or “**Company Order**” means a written request or order signed in the name of the Company by any of its Directors and/or Authorized Officers, and delivered to the Fiscal Agent.

“**Comparable Government Bond**” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an Independent Investment Banker, a German government bond whose maturity is closest to the maturity of the notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such Independent Investment Banker may, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company, determine to be appropriate for determining the Comparable Government Bond Rate.

“**Comparable Government Bond Rate**” means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such Business Day as determined by an Independent Investment Banker.

“**Co-operation Agreement**” means the Co-operation Agreement, dated May 8, 2018, between the Company and Shire plc.

“**Depository**” has the meaning specified in Section 2.13(a).

“**Designated Financial Institution**” has the meaning specified in Section 9.5.

“**Director**” means any member of the Board of Directors.

“**EURIBOR Business Day**” means any day that is not a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London, and is a day on which the TARGET2 System, or any successor thereto, operates.

“**Euroclear**” means Euroclear Bank SA/NV.

“**Event of Default**” has the meaning specified in Section 4.1.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Expiration Date**” has the meaning specified in Section 1.4.

“**Fiscal Agent’s Office**” means the office of the Fiscal Agent in London at which at any particular time its business shall be principally administered, which as at the date hereof is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN, or such other address as the Fiscal Agent may designate from time to time by notice to the Holders and the Company, or the principal office of any successor Fiscal Agent (or such other address as such successor Fiscal Agent may designate from time to time to the Holders and the Company).

“**Fixed Rate Interest Payment Date**” means November 21 during the term of this Agreement.

“**Floating Rate Interest Payment Date**” means each February 21, May 21, August 21 and November 21, in each case, during the term of this Agreement.

“**Global Notes**” has the meaning specified in Section 2.1.

“**Holder**” means a Person in whose name a Note is registered in the Notes Register.

“**ICMA Procedures**” has the meaning specified in Section 2.10.

“**Independent Investment Banker**” means one of the Reference Government Bond Dealers appointed by the Company.

“**Interest Payment Date**” means the Fixed Rate Interest Payment Date and the Floating Rate Interest Payment Date.

“**Interest Recipient Information**” has the meaning specified in Section 9.5.

“**Judgment Currency**” has the meaning specified in Section 9.7.

“**Legends**” has the meaning specified in Section 2.6(a).

“**Lien**” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“**Long Stop Date**” means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement.

“**Note**” or “**Notes**” means any Fixed Rate Notes or Floating Rate Notes authenticated and delivered under this Agreement.

“**Notes Register**” and “**Notes Registrar**” have the respective meanings specified in Section 2.4.

“**Officer’s Certificate**” means a certificate signed by any Director or Authorized Officer of the Company and delivered to the Fiscal Agent.

“**Opinion of Counsel**” means a written opinion of counsel, who may be an employee of or counsel to the Company, or other counsel acceptable to the Fiscal Agent, in a form satisfactory to the Fiscal Agent.

“**Outside Date**” has the meaning specified in Section 10.03.

“**Outstanding**”, when used with respect to any series of the Notes, means, as of the date of determination, all Notes of such series theretofore authenticated and delivered under this Agreement, *except*:

(1) Notes theretofore cancelled by the Notes Registrar or delivered to the Notes Registrar for cancellation;

(2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Fiscal Agent or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Fiscal Agent has been made; and

(3) Notes which have been paid pursuant to Section 2.7 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Agreement, other than any such Notes in respect of which there shall have been presented to the Fiscal Agent proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes of any series have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Fiscal Agent or the Paying Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which a Responsible Officer of the Fiscal Agent actually knows to be so owned shall be so disregarded. Notes so owned or beneficially held which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Fiscal Agent or the Paying Agent the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

“Owner Transferee” has the meaning specified in Section 2.6(e).

“Owner Transferor” has the meaning specified in Section 2.6(e).

“Participant” has the meaning specified in Section 9.5.

“Participant Transferee” has the meaning specified in Section 2.6(e).

“Participant Transferor” has the meaning specified in Section 2.6(e).

“Participants” has the meaning specified in Section 2.5.

“Paying Agent” means any Person authorized by the Company to pay the principal of or interest on any Notes (or Additional Amounts, if any) on behalf of the Company, which shall initially be MUFG Bank, Ltd.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any branch, agency or political subdivision thereof.

“Principal Subsidiary” means, with respect to any Person, any Subsidiary (i) whose revenue, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated revenue of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (ii) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

“Public External Indebtedness” means bonds, debentures, notes or other similar investment securities of the Company or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which are (a) either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the Company thereof; and (b) for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside Japan.

“**Record Date**” with respect to any Interest Payment Date shall have the meaning specified in the form of the Notes.

“**Redemption Date**” has the meaning specified in Section 10.5.

“**Reference Government Bond Dealers**” means each of J.P. Morgan Securities plc, Morgan Stanley MUFG Securities Co., Ltd., Barclays Bank PLC, BNP Paribas or HSBC Bank plc (or their respective affiliates that are Primary Government Bond Dealers) and their respective successors, and a Primary Government Bond Dealer selected by SMBC Nikko Capital Markets Limited; provided, however, that if any of the foregoing shall cease to be a broker or dealer of, and/or market maker in, German government bonds (a “**Primary Government Bond Dealer**”), the Company will substitute therefor another Primary Government Bond Dealer.

“**Regulation S Global Note**” has the meaning specified in Section 2.1.

“**Regulation S Global Transferred Amount**” has the meaning specified in Section 2.6(f).

“**Required Currency**” has the meaning specified in Section 9.7.

“**Responsible Officer**” means, when used with respect to the Fiscal Agent, any officer within the Fiscal Agent’s debt capital markets department with responsibility for the administration of this Agreement and also means, with respect to a particular corporate trust matter, any other officer of the Fiscal Agent to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject. When used with respect to the Calculation Agent, “Responsible Officer” means any vice president, relationship manager, transaction manager, client service manager or any other officer located at the specified office of the Calculation Agent who customarily performs functions similar to those persons who at the relevant time shall be officers, respectively.

“**Rule 144A Global Note**” has the meaning specified in Section 2.1.

“**Rule 144A Global Transferred Amount**” has the meaning specified in Section 2.6(e).

“**Rule 144A Information**” has the meaning specified in Section 9.8.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Special Mandatory Redemption Date**” means the 20th day (or if such day is not a Business Day, the first Business Day thereafter) after the earliest to occur of (1) the Long Stop Date, if the Shire Acquisition has not been consummated on or prior to the Long Stop Date or (2) the date of public announcement by the Company that the Shire Acquisition will not be consummated.

“**Shire Acquisition**” means the offer whereby the Company will acquire the entire issued and to be issued ordinary share capital of Shire plc, pursuant to the Co-operation Agreement.

“**specially-related person of the Company**” has the meaning specified in Section 9.5.

“**Subsidiary**” means, with respect to any Person, any entity which is controlled or of which more than 50% of its ownership interests are owned directly or indirectly by such Person.

“**Succession Event**” has the meaning specified in Section 7.1.

“**Successor Person**” has the meaning specified in Section 7.2.

“**Tax Documentation**” means any of certifications, claims for exemption, notifications or other documentation required under Japanese tax law for interest payments to be made without withholding or deduction for or on account of Japanese tax.

“**Taxes**” has the meaning specified in Section 9.5.

“**Transfer Restrictions**” has the meaning specified in Section 2.6(a).

“**Fiscal Agent**” means the Person named as the “Fiscal Agent” in the first paragraph of this instrument until a successor Fiscal Agent shall have become such pursuant to the applicable provisions of this Agreement, and thereafter “**Fiscal Agent**” shall mean or include each Person who is then a Fiscal Agent hereunder.

“**United States**” means the United States of America.

“**Written Application for Tax Exemption**” has the meaning specified in Section 9.5.

SECTION 1.2. *Compliance Certificates and Opinions.*

Upon any application or request by the Company to the Fiscal Agent to take any action under any provision of this Agreement, the Company shall furnish to the Fiscal Agent an Officer’s Certificate and an Opinion of Counsel (provided, however, that at the time of issuance of the Notes, the Company shall furnish to the Fiscal Agent an Officer’s Certificate) stating that all conditions precedent provided for in this Agreement relating to the proposed action have been complied with. Each such certificate or opinion shall be given in the form of an Officer’s Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements set forth in this Agreement.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement (except for certificates provided for in Section 9.4) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3. *Form of Documents Delivered to Fiscal Agent.*

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the

exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Agreement, they may, but need not, be consolidated and form one instrument.

SECTION 1.4. *Acts of Holders; Record Dates.*

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Agreement to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Fiscal Agent and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “**Act**” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and conclusive in favor of the Fiscal Agent and the Company, if made in the manner provided in this Section 1.4.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Fiscal Agent deems sufficient.

The ownership of Notes shall be proved by the Notes Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Fiscal Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Notes entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Agreement to be given, made or taken by Holders of Notes, *provided* that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Notes at the close of business on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; *provided* that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Notes on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be

cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Notes on the date such action is taken based on such record date previously set. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Fiscal Agent in writing and to each Holder of Notes in the manner set forth in Section 1.6.

The Fiscal Agent may set any day as a record date for the purpose of determining the Holders of Outstanding Notes entitled to join in the giving or making of (i) any declaration of acceleration referred to in Section 4.2, (ii) any request to institute proceedings referred to in Section 4.7 or (iii) any direction referred to in Section 4.12. If any record date is set pursuant to this paragraph, the Holders of Outstanding Notes at the close of business on such record date, and no other Holders, shall be entitled to join in such declaration, request or direction, whether or not such Holders remain Holders after such record date; *provided* that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Notes on such record date. Nothing in this paragraph shall be construed to prevent the Fiscal Agent from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), *provided*, however, that nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Notes on the date such action is taken based on such record date previously set. Promptly after any record date is set pursuant to this paragraph, the Fiscal Agent, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Notes in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section 1.4, the party hereto which sets such record dates may designate any day as the "**Expiration Date**" and from time to time may change the Expiration Date to any earlier or later day; *provided* that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other parties hereto in writing, and to each Holder of Notes in the manner set forth in Section 1.6, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section 1.4, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Note may do so with regard to all or any part of the principal amount of such Note or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount of such Note.

SECTION 1.5. *Notices, Etc., to Fiscal Agent and the Company.*

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with,

(1) the Fiscal Agent by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Fiscal Agent at the Fiscal Agent's Office, or

(2) the Company by the Fiscal Agent or by any Holder shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Company at its address at 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan, Fax: +81-3-3278-2198, Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance; or at any other address previously furnished in writing to the Fiscal Agent by the Company.

SECTION 1.6. *Notice to Holders; Waiver.*

Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or emailed, in PDF format, to each Holder affected by such event, at his address as it appears in the Notes Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail or email, neither the failure to mail or email such notice, nor any defect in any notice so mailed or emailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Fiscal Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Fiscal Agent shall constitute a sufficient notification for every purpose hereunder.

SECTION 1.7. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.8. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.9. *Separability Clause.*

In case any provision in this Agreement or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10. *Benefits of Agreement.*

Nothing in this Agreement or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Agreement.

SECTION 1.11. *Governing Law.*

This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 1.12. *Consent to Jurisdiction; Waiver of Immunities.*

(a) The Company hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New York State or the federal courts of the United States located in the Borough of Manhattan, The City of New York over any suit, action or proceeding arising out of or relating to this Agreement or any Note. The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been

brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, it irrevocably waives such immunity in respect of its obligations hereunder or under any Note. The Company agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Company and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Company is subject by a suit upon such judgment or in any manner provided by law, provided that service of process is effected upon the Company in the manner specified in the following paragraph or as otherwise permitted by law.

(b) As long as any of the Notes remain Outstanding, the Company will at all times have an authorized agent in The City of New York upon whom process may be served in any legal action or proceeding arising out of or relating to this Agreement or any Note. Service of process upon such agent and written notice of such service mailed or delivered to the Company shall to the fullest extent permitted by law be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company has appointed Cogency Global Inc. as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the offices of such agent. Cogency Global Inc. has accepted such appointment as agent for service of process. Notwithstanding the foregoing, the Company may, with prior written notice to the Fiscal Agent, terminate the appointment of such agent and appoint another agent for the above purposes so that the Company shall at all times have an agent for the above purposes in The City of New York.

(c) The Company hereby irrevocably waives, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any suit, action or proceeding (including appeals) arising out of or relating to this Agreement or any Note, the posting of any bond or the furnishing, directly or indirectly, of any other security.

SECTION 1.13. *Waiver of Jury Trial.*

EACH OF THE COMPANY AND THE FISCAL AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

SECTION 1.14. *Payments Due on Non-Business Days.*

In any case in which any Fixed Rate Interest Payment Date falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no additional interest shall accrue with respect to such payment for the period after such date.

If any Floating Rate Interest Payment Date would otherwise be a day that is not a EURIBOR Business Day, such Floating Rate Interest Payment Date shall be the next succeeding EURIBOR Business Day, unless the next succeeding EURIBOR Business Day is in the next succeeding calendar month, in which case such Floating Rate Interest Payment Date shall be the immediately preceding EURIBOR Business Day.

SECTION 1.15. *Communications by Holders with Other Holders.*

Within five Business Days of receipt of a written application by a Holder stating that such Holder desires to communicate with other Holders of Notes, the Fiscal Agent, provided it has received a copy of the form of proxy or other communication which such applying Holder proposes to transmit and proof

reasonably satisfactory to the Fiscal Agent that such Holder has owned Notes for a period of at least six months prior to such request, shall either (i) afford the applying Holder access to the requested information or (ii) transmit copies of the communication prepared by the applying Holder to the registered Holders at the expense of such applying Holder.

SECTION 1.16. *English Language.*

All certificates, opinions, notices, consents, requests or other documents or instruments delivered pursuant hereto shall be in the English language.

SECTION 1.17. *Counterparts*

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement and signature pages for all purposes.

ARTICLE II

THE SECURITIES

SECTION 2.1. *Forms.*

Upon the execution and delivery of this Agreement, the:

- 0.375% Senior Notes due 2020 in an aggregate principal amount of €1,250,000,000,
- Senior Floating Rate Notes due 2020 in an aggregate principal amount of €1,000,000,000,
- 1.125% Senior Notes due 2022 in an aggregate principal amount of €1,500,000,000,
- Senior Floating Rate Notes due 2022 in an aggregate principal amount of €750,000,000,
- 2.250% Senior Notes due 2026 in an aggregate principal amount of €1,500,000,000, and
- 3.000% Senior Notes due 2030 in an aggregate principal amount of €1,500,000,000

may be executed and delivered by the Company to the Fiscal Agent for authentication, accompanied by a Company Order directing such authentication, and the Fiscal Agent shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order) signed by an Authorized Officer of the Company. Notwithstanding the foregoing, the Company, pursuant to a Board Resolution, may from time to time, without the consent of Holders of Notes, create and issue further notes having the same terms and conditions as the Notes of a series in all respects, except for the issue date, issue price and first Interest Payment Date thereon. Additional notes issued in this manner may be consolidated with and form a single series with the previously outstanding Notes of the relevant series; *provided* that if any additional notes are not fungible with the Notes of the relevant series for U.S. federal income tax purposes, such additional notes will be issued as a separate series under this Agreement and will have a separate “ISIN” or similar identifying number from the Notes of the relevant series.

The Notes shall be issuable only in fully registered form without interest coupons in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes issued in accordance with Rule 144A of the Securities Act shall initially be issued in the form of one or more global notes in the form of Exhibit A-1 or A-3 hereto (each, a “**Rule 144A Global Note**”) and Notes issued in accordance with Regulation S of the Securities Act shall initially be issued in the form of one or more global notes in the form of Exhibit A-2 or

A-4 hereto (each, a “**Regulation S Global Note**” and, collectively with the Rule 144A Global Notes, the “**Global Notes**”). Interests in any Global Note will be exchangeable for definitive Notes in registered form only under the circumstances set forth herein.

The Notes may have such additional provisions, omissions, variations or substitutions as are not inconsistent with the provisions of this Agreement and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with any law or with any rules made pursuant thereto or with the rules of any securities exchange, any governmental agency or the Depositary or as may, consistently herewith, be determined by the officers of the Company executing such Notes, as evidenced by their execution thereof. All Notes shall be substantially identical except as to denomination and as provided herein.

The Notes shall be executed on behalf of the Company by any Representative Director of the Company. The signature of any Representative Director of the Company on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at the time of issuance of such Notes the proper Representative Director of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices thereafter.

The definitive Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the Representative Director of the Company executing such Notes, as evidenced by their execution thereof. Until definitive Notes shall have been prepared, the Company may execute, and upon the written order of the Company, the Fiscal Agent shall authenticate and deliver, in accordance with the provisions of this Agreement (in lieu of definitive Notes), temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor referred to above. Such temporary Notes shall be subject to the same limitations and conditions and entitled to the same rights and benefits as definitive Notes, except as provided herein or therein. If temporary Notes are issued, the Company shall promptly cause definitive Notes to be prepared. Temporary Notes shall be exchangeable at the principal office of the Fiscal Agent in London (or at such other office in London as shall be specified in the text of such temporary Notes) for definitive Notes when the latter shall be ready for delivery; and upon the surrender for exchange at said office of such temporary Notes, the Company, at its own expense, shall execute, and the Fiscal Agent is authorized to authenticate and deliver, in accordance with the provisions of Section 2.2 of this Agreement, in exchange for such temporary Notes a like aggregate principal amount of definitive Notes of the appropriate form and denomination. Temporary Notes shall be appropriately legended.

SECTION 2.2. *Certificate of Authentication.*

Only such Notes as shall bear thereon a certificate of authentication substantially as set forth in the Form of Note in Exhibit A-1, A-2, A-3 or A-4 hereto, as applicable, executed by the Fiscal Agent by manual signature of one of its Responsible Officers, shall be entitled to the benefits of this Agreement or be valid or obligatory for any purpose. Such certification by the Fiscal Agent upon any Note executed by or on behalf of the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder thereof is entitled to the benefits of this Agreement.

SECTION 2.3. *Issue and Delivery of Notes.*

The Company has, by a purchase agreement dated November 15, 2018 among the Company and J.P. Morgan Securities plc, SMBC Nikko Capital Markets Limited, Morgan Stanley MUFG Securities Co., Ltd., Barclays Bank PLC, BNP Paribas and HSBC Bank plc as representatives (the “**Representatives**”) of the initial purchasers named therein (the “**Initial Purchasers**”), agreed to issue

- €1,250,000,000 aggregate principal amount of 0.375% Senior Notes due 2020,

- €1,000,000,000 aggregate principal amount of the Senior Floating Rate Notes due 2020,
- €1,500,000,000 aggregate principal amount of 1.125% Senior Notes due 2022,
- €750,000,000 aggregate principal amount of the Senior Floating Rate Notes due 2022,
- €1,500,000,000 aggregate principal amount of 2.250% Senior Notes due 2026, and
- €1,500,000,000 aggregate principal amount of 3.000% Senior Notes due 2030.

The aggregate principal amount of the Rule 144A Global Notes and the Regulation S Global Notes issued on the Closing Date shall be €7,500,000,000. The principal amount of any Rule 144A Global Note and any Regulation S Global Note may from time to time be increased or decreased by adjustments made on the records of the Fiscal Agent, as provided in Section 2.6. The Global Notes will be dated November 21, 2018.

SECTION 2.4. *Registrar, Registration of Transfer and Exchange.*

The Company shall cause to be kept at the Fiscal Agent's Office a register (the register maintained in such office and in any other office or agency of the Company herein sometimes collectively referred to as the "**Notes Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Fiscal Agent is hereby appointed "**Notes Registrar**" for the purpose of registering Notes and transfers of such Notes as herein provided. The Company may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts; provided, however, that there shall at all times be a transfer agent in London. There shall be only one Notes Registrar. The Notes Register will show the amount of the Notes, the date of issue, all subsequent transfers and changes of ownership in respect thereof and the names, tax identifying numbers (if relevant to a specific holder), addresses of the holders of the Notes and any payment instructions with respect thereto (if different from a holder's registered address). The Fiscal Agent will also maintain a record which will include notations as to whether the Notes have been paid or cancelled, and, in the case of mutilated, destroyed, stolen or lost Notes, whether such Notes have been replaced. In the case of the replacement of any of the Notes, such records will include notations of each Note so replaced, and the Note issued in replacement thereof. In the case of the cancellation of any of the Notes, such records will include notations of each Note so cancelled and the date on which such Note was cancelled. The Fiscal Agent shall upon written request make the Notes Register and such records available, during normal office hours and on reasonable written notice, to the Company, or any Person authorized by the Company in writing, for inspection and for the taking of copies thereof or extracts therefrom, and, at the expense of the Company, the Fiscal Agent shall deliver to such Persons all lists of Holders of Notes, their addresses and amounts of such holdings as they may request.

Except as otherwise specifically provided herein, (i) all references in this Agreement to the Fiscal Agent shall be deemed to refer to the Fiscal Agent in its capacity as Fiscal Agent, Notes Registrar and Calculation Agent and (ii) every provision of this Agreement relating to the conduct, rights or privileges of the Fiscal Agent or affecting the liability or offering protection, immunity or indemnity to the Fiscal Agent shall be deemed to apply with the same force and effect to the Fiscal Agent acting in its capacities as Notes Registrar, Calculation Agent and Paying Agent and to each agent of the Fiscal Agent employed to act hereunder.

Subject to this Section 2.4, Section 2.5 and Section 2.6, at the option of the Holder, Notes may be presented for exchange for other Notes, of any authorized denominations and of like tenor and aggregate principal amount or for registration of transfer by the Holder thereof or his attorney duly authorized in writing and with the form of transfer thereon duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Fiscal Agent duly executed, at the office of the Fiscal Agent or at the office of any transfer agent designated by the Company for such purpose. Whenever any Notes are so surrendered for exchange, the Company shall execute and the Fiscal Agent shall authenticate and deliver the Notes which the Holder making the exchange is entitled to receive.

Upon surrender for registration of transfer of any Note at the office or agency of the Company, the Company shall execute and the Fiscal Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes, of any authorized denominations and of like tenor and aggregate principal amount.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Agreement, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes.

The Fiscal Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.5. *Global Notes.*

Each Global Note authenticated under this Agreement shall be registered in the name of the Depository designated for such Global Note or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Note shall constitute a single Note for all purposes of this Agreement.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with Euroclear and Clearstream (“**Participants**”) or persons who hold interests through such Participants. Upon the issuance of a Global Note, Euroclear or Clearstream shall credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of its Participants. Ownership of beneficial interests in a Global Note shall be shown only on, and the transfer of such ownership interests shall be effected only through, records maintained by Euroclear and Clearstream (with respect to interests of Participants) or by any such Participant (with respect to interests of persons held by such Participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Note may be subject to various policies and procedures adopted by Euroclear and Clearstream from time to time. None of the Company, the Fiscal Agent or any of their respective agents shall have any responsibility or liability for any aspect of Euroclear’s, Clearstream’s or any Participant’s records, policies or procedures relating to, or for payments made on account of, beneficial interests in a Global Note or for any other aspect of the relationship between Euroclear or Clearstream and its Participants, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Notwithstanding any provision of this Agreement or any Note to the contrary, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any Person other than the Depository or its nominee unless (i) Euroclear and Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) there shall

have occurred and be continuing an Event of Default with respect to the Notes. All definitive Notes issued in exchange for a Global Note or any portion thereof shall be registered in such names as the Depositary shall direct. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in a Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8, the right of such owner to pursue such remedy with respect to the portion of the Global Note that represents such owner's Notes as if such definitive Notes had been issued.

Except in the circumstances referred to in the preceding paragraph, as long as the Depositary, or its nominee, is the registered Holder of a Global Note, the Depositary or such nominee, as the case may be, shall be considered the sole owner and Holder of such Global Note (and of the Notes represented thereby) for all purposes under this Agreement and the Notes. Except in the circumstances referred to in the preceding paragraph, owners of beneficial interests in a Global Note shall not be entitled to have such Global Note or any Notes represented thereby registered in their names, shall not receive or be entitled to receive physical delivery of definitive Notes in exchange therefor and shall not be considered the owners or Holders of such Global Note (or any Notes represented thereby) for any purpose under this Agreement or the Notes. In addition, no beneficial owner of an interest in a Global Note shall be able to transfer that interest except in accordance with the Depositary's applicable procedures (in addition to those under this Agreement referred to herein and, if applicable, those of Euroclear and Clearstream). All payments of interest on, principal of, or Additional Amounts on, a Global Note shall be made to or to the order of the Depositary or its nominee, as the case may be, as the Holder thereof.

Every Note authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Note or any portion thereof, whether pursuant to this Section 2.5, Section 2.6, Section 2.7 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Note, unless such Note is registered in the name of a Person other than the Depositary for such Global Note or a nominee thereof.

Neither the Fiscal Agent nor any Agent shall have any responsibility or liability for any actions taken or not taken by the Depositary.

SECTION 2.6. *Transfer Restrictions.*

(a) The Global Notes shall be subject to the restrictions on transfers (the "**Transfer Restrictions**") provided in the applicable legends (the "**Legends**") required to be set forth on the face of each Global Note as provided in Exhibits A-1, A-2, A-3 and A-4 hereto, and each Holder of a Global Note and each owner of a beneficial interest in a Global Note, by its acceptance thereof, agrees to be bound by and comply with the Transfer Restrictions, in each case unless compliance with the Transfer Restrictions shall be waived by the Company in writing delivered to the Fiscal Agent.

(b) The Transfer Restrictions shall cease and terminate with respect to any particular Global Note upon receipt by the Company of evidence satisfactory to it (which may include an opinion of independent counsel experienced in matters of United States federal securities law) that, as of the date of determination, such Global Note (a) has been sold pursuant to an effective registration statement under the Securities Act or (b) has been transferred (i) in a transaction satisfying all the requirements of Rule 903 or 904 (as applicable) of Regulation S under the Securities Act or (ii) pursuant to Rule 144 under the Securities Act. All references in the preceding sentence to any regulation, rule or provision thereof shall be deemed also to refer to any successor provisions thereof.

(c) At the request of the Holder and upon the surrender of such Global Note to the Fiscal Agent for exchange in accordance with the provisions of this Section 2.6, any Global Note as to which the Transfer Restrictions shall have terminated in accordance with the preceding paragraph shall be exchanged for a new Note, of like tenor and aggregate principal amount, but without the Legends.

(d) As used in this Section 2.6, the term “transfer” encompasses any sale, pledge, transfer or other disposition of any Notes referred to herein.

(e) Rule 144A Global Note to Regulation S Global Note. If the owner of a beneficial interest (an “**Owner Transferor**”) in a Rule 144A Global Note wishes at any time to transfer such beneficial interest to a Person (an “**Owner Transferee**”) who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this paragraph (e). “**Applicable Procedures**” means, with respect to any transfer of a beneficial interest in a Global Note, the rules and procedures of Euroclear and Clearstream to the extent the same are applicable to such transfer and shall be complied with by any Holder or any party which has a beneficial interest in a Global Note; provided, however, the Fiscal Agent shall not be responsible for determining any compliance with such rules and procedures. Upon receipt by the Fiscal Agent of (1) written instructions given in accordance with the Applicable Procedures from a Participant whose account is to be debited (a “**Participant Transferor**”) with respect to the Rule 144A Global Note directing the Fiscal Agent to credit or cause to be credited to a specified account of another Participant (a “**Participant Transferee**”) a beneficial interest in a Regulation S Global Note in a principal amount equal to that of the beneficial interest in the Rule 144A Global Note to be so transferred (the “**Rule 144A Global Transferred Amount**”), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Participant Transferee to be credited with, and the account of the Participant Transferor to be debited for, the Rule 144A Global Transferred Amount and (3) a certificate in substantially the form set forth in Exhibit B hereto given by the Owner Transferor stating that the transfer has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, the Fiscal Agent shall instruct Euroclear or Clearstream, as applicable, to reduce the principal amount of the Rule 144A Global Note, and to increase the principal amount of the Regulation S Global Note, by the Rule 144A Global Transferred Amount, and to credit or cause to be credited to the account of the Participant Transferee a beneficial interest in the Regulation S Global Note, and to debit or cause to be debited to the account of the Participant Transferor a beneficial interest in the Rule 144A Global Note, in each case having a principal amount equal to the Rule 144A Global Transferred Amount.

(f) Regulation S Global Note to Rule 144A Global Note. If an Owner Transferor wishes at any time to transfer a beneficial interest in a Regulation S Global Note to an Owner Transferee who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.6(f). Upon receipt by the Fiscal Agent of (1) written instructions given in accordance with the Applicable Procedures from the Participant Transferor, directing the Fiscal Agent to credit or cause to be credited to a specified account of a Participant Transferee a beneficial interest in a Rule 144A Global Note in a principal amount equal to that of the beneficial interest in the Regulation S Global Note to be so transferred (the “**Regulation S Global Transferred Amount**”), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Participant Transferee to be credited with, and the account of the Participant Transferor to be debited for, the Regulation S Global Amount, and (3) if the transfer is prior to or on the 40th day after the later of the commencement of the offering of the Notes and the issue date of the Notes, a certificate in substantially the form set forth in Exhibit C hereto given by the Owner Transferor stating (A) that the Person transferring such interest in a Regulation S Global Note (i) reasonably believes that the Person acquiring such interest in a Rule 144A Global Note is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) has notified such Person of the transfer restrictions applicable to the Global Notes, and (B) the transfer is in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction, the Fiscal Agent shall instruct Euroclear or Clearstream, as applicable, to reduce the principal amount of the Regulation S Global Note, and to increase the principal amount of the Rule 144A Global Note, by the Regulation S Global Transferred Amount, and to credit or cause to be credited to the account of the Participant Transferee a beneficial interest in the Rule 144A Global Note, and to debit or cause to be debited to the account of the Participant

Transferor a beneficial interest in the Regulation S Global Note, in each case having a principal amount equal to the Regulation S Global Transferred Amount.

SECTION 2.7. *Mutilated, Destroyed, Lost and Stolen Notes.*

If any mutilated Note is surrendered to the Fiscal Agent, the Company shall execute, and the Fiscal Agent shall authenticate and deliver in exchange therefor, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Fiscal Agent (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) indemnity satisfactory to them to save each of them and any of their agents harmless, from any losses or claims incurred in connection with the issuance of a new Note, then, in the absence of notice to the Company or the Fiscal Agent that such Note has been acquired by a bona fide purchaser, the Company shall execute and the Fiscal Agent shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

Every new Note issued pursuant to this Section 2.7 in exchange for any mutilated Note or in lieu of any destroyed, lost or stolen Note shall constitute an original contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.7 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 2.8. *Persons Deemed Owners.*

Prior to due presentment of a Note for registration of transfer, the Company, the Fiscal Agent and any agent of the Company or the Fiscal Agent may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of and any interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company, the Fiscal Agent nor any agent of the Company or the Fiscal Agent shall be affected by notice to the contrary. In considering the interests of the Holders of Notes while title to the Notes is registered in the name of a nominee of the Depository, the Fiscal Agent may refer to any information made available to it by the Depository as to the identity (either individually or by category) of its Participants or persons who hold interests through such Participants with entitlements to Notes and may consider such interests as if such accountholders were the Holders of the Notes. For the purposes of enforcement of the provisions of this Agreement against the Fiscal Agent, the persons named in a certificate of the Holder of any Global Note in respect of which a global certificate is issued shall be recognized as the beneficiaries of this Agreement, to the extent of the principal amounts of their interests in the Notes set out in the certificate of the Holder, as if they were themselves the Holders of the Notes in such principal amounts.

SECTION 2.9. *Cancellation.*

All Notes surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Fiscal Agent, be delivered to the Fiscal Agent and shall be promptly canceled by it. The Company may at any time deliver to the Fiscal Agent for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Fiscal Agent (or to any other Person for delivery to the Fiscal Agent) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly canceled by the Fiscal Agent. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.9, except as expressly permitted by this Agreement. All canceled Notes (and all Notes paid in full at final maturity thereof) held by the Fiscal Agent shall be disposed of in accordance with the Fiscal Agent's customary practices.

SECTION 2.10. *Japanese Withholding Taxes.*

(a) In compliance with Japanese tax laws and the practices of tax authorities in Japan, in respect of any interest payment on the Notes issued in global or book-entry form pursuant to this Agreement or any amendments or supplements hereto, any Paying Agent shall act in accordance with the procedures and forms set out in the applicable and most recent memorandum prepared by the International Capital Markets Association, or any other organization or organizations that succeed the International Capital Markets Association (as may be amended or supplemented from time to time by notice from such association) entitled "Compliance Procedures for International Securities Offerings by Japanese Issuers", intended to provide for the administration of the Act on Special Taxation Measures (the "**ICMA Procedures**"). Except as otherwise provided in this Agreement, any such Paying Agent shall be responsible only for performing such services as are specifically provided for in the ICMA Procedures or such other procedures actually known by the Paying Agent, as applicable and as may be amended or modified and communicated to the Paying Agent from time to time. Any such Paying Agent and the Company may rely on the information provided in the claim for exemption from Japanese withholding taxes and other documentation in the absence of actual knowledge to the contrary. If any interest payment on a Note is due to be made hereunder, and if and so long as payments of interest (if any) by the Company to any Paying Agent may be made without withholding or deduction for or on account of Japanese tax only upon receipt of Tax Documentation, the relevant Paying Agent at the direction of the Company, shall (i) accept delivery of the required Tax Documentation from the clearing organization (or Holders of the Notes, if definitive Notes have been issued); (ii) provide to the Company any required confirmations of information available to it; and (iii) deliver such Tax Documentation to, or on the written order of, the Company via facsimile no later than two Business Days after the Paying Agent has received such Tax Documentation, followed by first class mail or express courier at the address stipulated in Section 1.5, for filing with the relevant Japanese district tax office. Any such Paying Agent may rely on the information provided in Tax Documentation (including, where relevant, supporting documentation) in the absence of actual knowledge that such information is incorrect.

(b) If a Holder of the Notes or the holder of a depositary interest representing the Notes satisfies the requirements for claiming an exemption from Japanese withholding tax after the date on which an amount in respect of such tax is withheld and before the date on which the tax is actually paid to the Japanese tax authorities, then the Company or the Paying Agent acting at the direction of the Company may, to the extent reasonably practicable, repay the amount withheld (after deduction of reasonable costs, including amounts in respect of changes in foreign exchange rates) to the Holder.

SECTION 2.11. *Japanese Withholding Tax Legend.*

Each Global Note and each definitive Note issued for exchange for a beneficial interest in the Global Note shall bear the following legend relating to Japanese withholding tax:

"INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR

FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.”

SECTION 2.12. *Issuance in Euros.*

Principal, premium, if any, and interest payments and additional amounts, if any, in respect of the Notes will be payable in euros. If the euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond its control or the euro is no longer used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the Notes will be made in U.S. dollars until the euro is again available to the Company or so used. In such circumstances, the amount payable on any date in euros will be converted to U.S. dollars on the basis of the most recently available market exchange rate for euros, as determined by the Company in its sole discretion. Any payment in respect of the Notes so made in U.S. dollars will not constitute an Event of Default. Neither the Fiscal Agent nor the Paying Agent will be responsible for obtaining exchange rates, effecting conversions or otherwise handling redenominations.

SECTION 2.13. *Book-entry Provisions for Global Notes.*

(a) The Global Notes representing the Notes shall be deposited with, or on behalf of, a common depository for Euroclear and Clearstream (the “**Depository**”), and registered in the name of such common depository or its nominee for the accounts of Euroclear and Clearstream, duly executed by the Company and authenticated by the Fiscal Agent pursuant to the terms of this Agreement. Each such Global Note shall constitute a single security for all purposes of this Agreement.

(b) Notwithstanding any other provision in this Agreement, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any Person other than the Depository for such Global Note or a nominee thereof unless (A) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (B) the Company determines at any time that the Notes shall no longer be represented by Global Notes and shall

inform Euroclear or Clearstream of such determination and participants in Euroclear or Clearstream elect to withdraw their beneficial interests in the Notes from such Depository, following notification by the Depository of their right to do so, or (C) such exchange is made upon request by or on behalf of the Depository in accordance with customary procedures, following the request of a Holder seeking to exercise or enforce its rights under the Notes during the continuance of an Event of Default.

(c) Subject to clause (b) above, any exchange of a Global Note for other Notes may be made in whole or in part, and all Notes issued in exchange for a Global Note or any portion thereof shall be registered in such names as the Depository for such Global Note shall direct in writing to the Fiscal Agent.

(d) Every Note authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Note or any portion thereof shall be authenticated and delivered in the form of, and shall be, a Global Note, unless such Note is registered in the name of a Person other than the Depository for such Global Note or a nominee thereof.

(e) Subject to the provisions of clause (g) below, the registered Holder may grant proxies and otherwise authorize any Person, including Agent Members (as defined below in clause (g)) and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Agreement or the Notes.

(f) In the event of the occurrence of any of the events specified in clause (b) above, the Company will promptly make available to the Fiscal Agent a reasonable supply of certificated Notes in definitive, fully registered form, without interest coupons.

(g) Neither any members of, or participants in, Euroclear or Clearstream (collectively, the “**Agent Members**”) nor any other Persons on whose behalf Agent Members may act shall have any rights under this Agreement with respect to any Global Note registered in the name of the Depository or any nominee thereof, or under any such Global Note, and the Depository or such nominee, as the case may be, may be treated by the Company, the Fiscal Agent and any agent of the Company or the Fiscal Agent as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company or the Fiscal Agent or any agent of the Company or the Fiscal Agent from giving effect to any written certification, proxy or other authorization furnished by the Depository or such nominee, as the case may be, or impair, as between the Depository, its Agent Members and any other Person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Note.

ARTICLE III

SATISFACTION AND DISCHARGE

SECTION 3.1. *Satisfaction and Discharge of Agreement.*

The Company may terminate all of its obligations under this Agreement (except as to any surviving rights of registration of transfer or exchange of Notes herein expressly provided for), and the Fiscal Agent, at the expense of the Company, shall execute instruments in form and substance satisfactory to the Fiscal Agent and the Company acknowledging satisfaction and discharge of this Agreement, when

(1) either

(A) all Notes theretofore authenticated and delivered (other than Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.7) have been delivered to the Fiscal Agent for cancellation; or

(B) all such Notes not theretofore delivered to the Fiscal Agent for cancellation

- (i) have become due and payable,
 - (ii) will become due and payable at their maturity date within one year, or
 - (iii) are to be called for redemption pursuant to Section 10.1, Section 10.2, Section 10.3, Section 10.04 or Section 10.5 within one year under arrangements satisfactory to the Fiscal Agent for the giving of notice of redemption by the Fiscal Agent in the name, and at the expense, of the Company, and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Fiscal Agent as trust funds in trust for such purpose money in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Fiscal Agent for cancellation, for principal and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Redemption Date, as the case may be;
- (2) the Company has paid or caused to be paid or made provision satisfactory to the Fiscal Agent for the payment of all other sums payable hereunder by the Company; and
- (3) the Company has delivered to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Agreement have been complied with.

Notwithstanding the satisfaction and discharge of this Agreement, the obligations of the Company to the Fiscal Agent under Section 4.6, Section 5.6 and Section 9.3, any obligations of the Fiscal Agent under Section 3.2 and any rights of registration of transfer, exchange or replacement of Notes provided in Section 2.4, Section 2.5, Section 2.6, Section 2.7, or Section 9.2 and any rights to Additional Amounts pursuant to Section 9.5 shall survive such satisfaction and discharge.

SECTION 3.2. *Application of Trust Money.*

All money deposited with the Fiscal Agent pursuant to Section 3.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Agreement, to the payment, either directly or through any Paying Agent as the Fiscal Agent may determine, to the Persons entitled thereto, of the principal and any interest (or Additional Amounts, if any) for whose payment such money has been deposited with the Fiscal Agent.

ARTICLE IV

REMEDIES OF THE FISCAL AGENT AND HOLDERS ON EVENT OF DEFAULT

SECTION 4.1. *Event of Default.* Unless otherwise established hereunder or by any applicable amendment or supplement hereto, an “**Event of Default**” with respect to the Notes shall mean any one of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

1. default shall be made for more than seven days in the payment of principal or for more than 30 days in the payment of interest in respect of any of the Notes; or
2. the Company defaults in the performance or observance of any covenant, condition or provision contained in the Notes or in this Agreement for a period of 60 days after written notification requesting such default to be remedied by the Company shall first

have been given to the Company (and to the Fiscal Agent in the case of notice by the Holders referred to below) by the Fiscal Agent or Holders of at least 25% in principal amount of the then Outstanding Notes (such notification must specify the Event of Default, demand that it be remedied and state that the notification is a “Notice of Default” hereunder); or

3. the Company shall have become bound as a consequence of a default by it in its obligations in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least \$50,000,000 (or its equivalent in any other currency or currencies) contracted or incurred by it prematurely to repay the same, or the Company shall have defaulted in the repayment of any such indebtedness contracted or incurred by it at the later of the maturity thereof or the expiration of any applicable grace period therefor, or the Company shall have failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by it of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that, prior to any judgment, if any such default under such indebtedness shall be cured by the Company, or be waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then the Event of Default hereunder by reason of such default shall be deemed likewise to have been thereupon cured or waived; or
4. a final and non-appealable order of a court of competent jurisdiction shall be made or an effective resolution of the Company shall be passed for the winding-up or dissolution of the Company except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations of the Company under this Agreement in relation to the Notes; or
5. an encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of the Company, of all or substantially all of its assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days; or
6. the Company shall stop payment (within the meaning of the bankruptcy law of Japan) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction as is referred to in paragraph 4 above) shall cease to carry on business or shall be unable to pay its debts generally as and when they fall due; or
7. a decree or order by any court having jurisdiction shall have been issued adjudging the Company bankrupt or insolvent, or approving a petition seeking with respect to the Company reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
8. the Company shall initiate or consent to proceedings relating to itself under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, its creditors generally.

SECTION 4.2. *Acceleration of Maturity; Rescission and Annulment.* If an Event of Default with respect to the Notes occurs and is continuing, then in every such case (other than an Event

of Default specified in Section 4.1(7) or Section 4.1(8)) the Fiscal Agent or the Holders of not less than 25% in principal amount of the Outstanding Notes of each affected series may declare the principal amount of all the Notes of such affected series to be due and payable immediately, by a notice in writing to the Company (and to the Fiscal Agent if given by Holders), and upon any such declaration such principal amount together with all accrued and unpaid interest shall become immediately due and payable.

Notwithstanding the foregoing, in the case of an Event of Default arising under Section 4.1(7) or Section 4.1(8) with respect to us, the principal of and interest on all outstanding Notes will become immediately due and payable without further action or notice. In addition, the fiscal agent shall have no obligation to accelerate the Notes if, in the reasonable judgment of the fiscal agent, acceleration is not in the best interest of the holders.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Fiscal Agent as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Notes, by written notice to the Company and the Fiscal Agent, may rescind and annul such declaration and its consequences if

- (1) the Company has paid or deposited with the Fiscal Agent a sum sufficient to pay
 - (A) all overdue interest on all Notes,
 - (B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Notes,
 - (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Notes, and
 - (D) all sums paid or advanced by the Fiscal Agent hereunder and the compensation and the reasonable expenses, disbursements and advances of the Fiscal Agent, its agents and counsel; and
- (2) all Events of Default with respect to Notes, other than the non-payment of the principal of Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 4.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 4.3. *Collection of Indebtedness and Suits for Enforcement by Fiscal Agent.* The Company covenants that if

- (1) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or
- (2) default is made in the payment of the principal of (or premium, if any, on) any Note at the maturity thereof and such default continues for a period of seven days,

the Company will, upon demand of the Fiscal Agent, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Notes, if any, and, in

addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the compensation and the reasonable expenses, disbursements and advances of the Fiscal Agent, its agents and counsel.

If an Event of Default with respect to the Notes occurs and is continuing, the Fiscal Agent may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes by such appropriate judicial proceedings as the Fiscal Agent shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Agreement or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 4.4. *Fiscal Agent May File Proofs of Claim.*

In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Fiscal Agent shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company upon the Notes and collect in the manner provided by law out of the property of the Company, wherever situated, the monies adjudged or decreed to be payable. In particular, the Fiscal Agent shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Fiscal Agent and, in the event that the Fiscal Agent shall consent to the making of such payments directly to the Holders, to pay to the Fiscal Agent any amount due it for the compensation and the reasonable expenses, disbursements and advances of the Fiscal Agent, its agents and counsel, and any other amounts due the Fiscal Agent under Section 5.6.

No provision of this Agreement shall be deemed to authorize the Fiscal Agent to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Fiscal Agent to vote in respect of the claim of any Holder in any such proceeding; *provided, however*, that the Fiscal Agent may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 4.5. *Fiscal Agent May Enforce Claims Without Possession of Notes.*

All rights of action and claims under this Agreement or the Notes may be prosecuted and enforced by the Fiscal Agent without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Fiscal Agent shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Fiscal Agent, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 4.6. *Application of Money Collected.*

Any money collected by the Fiscal Agent pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Fiscal Agent and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Fiscal Agent and any predecessor Fiscal Agent under Section 5.6; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Notes (including Additional Amounts, if any) in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal and interest, respectively.

SECTION 4.7. *Limitation on Suits.*

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any Additional Amounts, if applicable), any Notes after the applicable due date specified in the Notes, no Holder of any Note shall have any right to institute any proceeding with respect to this Agreement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Holder has previously given written notice to the Fiscal Agent of a continuing Event of Default; (b) the Holders of not less than 25% in aggregate principal amount of the Notes of each affected series shall have made written request to the Fiscal Agent to institute proceedings in respect of such Event of Default in its own name as Fiscal Agent; (c) such Holder or Holders have offered to the Fiscal Agent indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Fiscal Agent for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Fiscal Agent during such 60-day period by the Holders of a majority in aggregate principal amount of the Notes of each affected series.

No one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Agreement to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Agreement, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 4.8. *Right of Holders to Receive Principal and Interest.*

Notwithstanding any other provision of this Agreement and any provision of any Note, the right of any Holder to receive payment of the principal of, and interest on, such Note on or after the respective due dates expressed in such Note (or, in the case of redemption, on the Redemption Date), or to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 4.9. *Restoration of Rights and Remedies.*

If the Fiscal Agent or any Holder has instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Fiscal Agent or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Fiscal Agent and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Fiscal Agent and the Holders shall continue as though no such proceeding had been instituted.

SECTION 4.10. *Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.7 and as provided in Section 4.7, no right or remedy herein conferred upon or reserved to the Fiscal Agent or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 4.11. *Delay or Omission Not Waiver.*

No delay or omission of the Fiscal Agent or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default or otherwise shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Fiscal Agent or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Fiscal Agent or by the Holders, as the case may be.

SECTION 4.12. *Control by Holders.*

The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred on the Fiscal Agent, *provided* that

- (1) such direction shall not be in conflict with any rule of law or with this Agreement,
- (2) the action so directed would not be unjustly prejudicial to the Holders not taking part in such direction or would involve the Fiscal Agent in personal liability,
- (3) the Fiscal Agent may take any other action deemed proper by the Fiscal Agent which is not inconsistent with such direction, and
- (4) the Fiscal Agent shall not be advised by counsel that the action or proceeding so directed may not lawfully be taken, and

provided further that the Fiscal Agent shall be under no obligation to determine whether any such direction shall be in such conflict or so unjustly prejudicial to the Holders not taking part in such direction.

Nothing in this Agreement shall impair the right of the Fiscal Agent in its discretion to take any action deemed proper by the Fiscal Agent and which is not inconsistent with such direction by Holders of Notes.

SECTION 4.13. *Waiver of Past Defaults.*

The Holders of not less than a majority in aggregate principal amount of the Outstanding Notes of the relevant series may, on behalf of the Holders of all the Notes of such series, waive any past default hereunder, except a default

- (1) in the payment of the principal of or interest on any Note or any Additional Amounts payable in respect thereof, or
- (2) in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Note affected thereby.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose under this Agreement, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 4.14. *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Agreement, or in any suit against the Fiscal Agent for any action taken, suffered or omitted by it as Fiscal Agent, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs,

including reasonable attorneys' fees and expenses, against any such party litigant; *provided* that no court shall require such an undertaking or to make such an assessment in any suit instituted by the Company, the Fiscal Agent or any Holder or group of Holders holding in aggregate more than 10% in aggregate principal amount of the Outstanding Notes of a series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Outstanding Note on or after the due date expressed in such Note.

SECTION 4.15. *Waiver of Stay or Extension Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Fiscal Agent, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE V

THE FISCAL AGENT

SECTION 5.1. *Certain Duties and Responsibilities.*

The Fiscal Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees and to all of which the rights of Holders of Notes are subject:

(1) In acting under this Agreement and in connection with the Notes, the Fiscal Agent is acting solely as an agent of the Company and does not assume any responsibility for the correctness of the recitals in the Notes (except for the correctness of the statement of the Fiscal Agent in its certificate of authentication thereon) or any obligation or relationship of agency, for or with any of the owners or Holders of the Notes.

(2) The Fiscal Agent may consult with its counsel at the Company's expense, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder in good faith and without negligence and in accordance with such opinion.

(3) The Fiscal Agent shall (except as ordered by a court of competent jurisdiction or as required by any applicable law), notwithstanding any notice to the contrary, be entitled to treat the Holder of any Security as the owner thereof, shall not be liable for so doing and shall be indemnified and held harmless by the Company against any loss, liability, claim, demand or expense arising from or based upon it so doing.

(4) Except as may otherwise be agreed, the Fiscal Agent shall not be under any liability for interest on monies at any time received by it pursuant to any of the provisions of this Agreement or of the Notes.

(5) The duties and obligations of the Fiscal Agent shall be determined solely by the express provisions of this Agreement and the Notes and the Fiscal Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and the Notes, and no implied covenants or obligations shall be read into this Agreement or the Notes against the Fiscal Agent.

SECTION 5.2. *Certain Rights of Fiscal Agent.*

Subject to the provisions of Section 5.1:

(1) the Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Agreement the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(4) the Fiscal Agent may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Holders pursuant to this Agreement, unless such Holders shall have offered to the Fiscal Agent security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney, it being understood that all reasonable expenses incurred in connection with such inquiry or investigation shall be borne by the Company and the Fiscal Agent shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(7) the Fiscal Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) the Fiscal Agent shall not be deemed to have or charged with knowledge of any default or Event of Default unless (a) a Responsible Officer of the Fiscal Agent shall have actual knowledge of such default or Event of Default or (b) written notice of such default or Event of Default shall have been given to a Responsible Officer of the Fiscal Agent by the Company or by any Holder of such Notes, and such notice references this Agreement and the Notes;

(9) the Fiscal Agent shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(10) the Fiscal Agent shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(11) the rights, privileges, protections, immunities and benefits given to the Fiscal Agent, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Fiscal Agent in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(12) the Fiscal Agent may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Agreement.

SECTION 5.3. Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, except the Fiscal Agent's certificates of authentication, shall be taken as the statements of the Company, and the Fiscal Agent does not assume any responsibility for their correctness. The Fiscal Agent makes no representations as to the validity or sufficiency of this Agreement or of the Notes. The Fiscal Agent shall not be accountable for the use or application by the Company of the Notes or the proceeds thereof.

SECTION 5.4. May Hold Notes.

The Fiscal Agent, any Paying Agent, any Calculation Agent, the Notes Registrar or any other agent of the Fiscal Agent or the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Fiscal Agent, Paying Agent, Calculation Agent, Notes Registrar or such other agent.

SECTION 5.5. Money Held in Trust.

Money held by the Fiscal Agent in trust hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on or investment of any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 5.6. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Fiscal Agent from time to time such compensation for all services rendered by it hereunder in such amounts as shall have been agreed upon in writing by the Company and the Fiscal Agent from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Fiscal Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence, bad faith or willful misconduct; and

(3) to indemnify the Fiscal Agent for, and to defend and hold it harmless against, any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust or trusts hereunder, including taxes (other than taxes based upon or determined by the income of the Fiscal Agent) and the costs and expenses of defending itself against any claim (whether asserted by the

Company, a Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, bad faith or willful misconduct.

Notwithstanding anything to the contrary herein, under no circumstances will the Fiscal Agent or any Agent be liable to the Company or any other party to this Agreement for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (*inter alia*, being loss of business, goodwill, opportunity or profit); in each case however caused or arising and whether or not foreseeable, even if the Fiscal Agent or the Agent has been advised of the possibility of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.

The obligations of the Company to the Fiscal Agent under the provisions of this Section 5.6 shall survive the resignation or removal of the Fiscal Agent, the termination of this Agreement and the payment in full of the Notes issued hereunder.

SECTION 5.7. *Fiscal Agent Required.*

There shall at all times be one (and only one) Fiscal Agent hereunder.

SECTION 5.8. *Resignation and Removal; Appointment of Successor.*

No resignation or removal of the Fiscal Agent and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Fiscal Agent in accordance with the applicable requirements of Section 5.9.

The Fiscal Agent may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Fiscal Agent required by Section 5.9 shall not have been delivered to the Fiscal Agent within 30 days after the giving of such notice of resignation (or within 30 days of the Fiscal Agent receiving a notice of removal pursuant to the provisions below), the resigning (or removed) Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent with respect to the Notes.

The Fiscal Agent may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Notes, delivered to the Fiscal Agent and to the Company.

If at any time:

- (1) the Fiscal Agent shall cease to be eligible under Section 5.7 and shall fail to resign after written request therefor by the Company or any Holder, or
- (2) the Fiscal Agent shall become incapable of acting or shall be adjudged bankrupt or insolvent or a receiver of the Fiscal Agent or of its property shall be appointed or any public officer shall take charge or control of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company may remove the Fiscal Agent or (B) any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Fiscal Agent with respect to all Notes and the appointment of a successor Fiscal Agent.

If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Fiscal Agent for any cause, the Company, by a Board Resolution, shall promptly

appoint a successor Fiscal Agent with respect to the Notes and shall comply with the applicable requirements of Section 5.7. If a successor Fiscal Agent with respect to the Notes shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Fiscal Agent, the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 5.9, become the successor Fiscal Agent with respect to the Notes and supersede the successor Fiscal Agent appointed by the Company. If no successor Fiscal Agent with respect to the Notes shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 5.9 within one year after such resignation, removal or incapability, or the occurrence of such vacancy, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

The Company shall give notice, or shall cause the Notes Registrar to give notice, of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to all Holders of Notes in the manner provided in Section 1.6. Each notice shall include the name of the successor Fiscal Agent and the address of the Fiscal Agent's Office.

SECTION 5.9. *Acceptance of Appointment by Successor.*

In case of the appointment hereunder of a successor Fiscal Agent, every such successor Fiscal Agent so appointed shall execute, acknowledge and deliver to the Company and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Fiscal Agent; but, on the request of the Company or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Fiscal Agent all the rights, powers and trusts of the retiring Fiscal Agent and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder.

Upon request of any such successor Fiscal Agent, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article.

SECTION 5.10. *Merger, Conversion, Consolidation or Succession to Business.*

Any bank or trust company into which the Fiscal Agent may be merged or converted or with which it may be consolidated, or any bank or trust company resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any bank or trust company succeeding to all or substantially all the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such bank or trust company shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Fiscal Agent then in office, any successor by merger, conversion, consolidation or sale to such authenticating Fiscal Agent may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Fiscal Agent had itself authenticated such Notes.

ARTICLE VI

HOLDERS' LISTS AND REPORTS BY FISCAL AGENT AND COMPANY

SECTION 6.1. *Company to Furnish Fiscal Agent Names and Addresses of Holders.*

The Company will furnish or cause the Notes Registrar to furnish to the Fiscal Agent

(1) not later than 15 days after each Record Date, a list, in such form as the Fiscal Agent may reasonably require, of the names and addresses of the Holders of Outstanding Notes as of such Record Date, and

(2) at such other times as the Fiscal Agent may reasonably request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

provided, however, that if and so long as the Fiscal Agent shall be Notes Registrar, no such list need be furnished.

SECTION 6.2. *Preservation of Information; Communications to Holders.*

The Fiscal Agent shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Fiscal Agent as provided in Section 6.1 and the names and addresses of Holders received by the Fiscal Agent in its capacity as Notes Registrar. The Fiscal Agent may destroy any list furnished to it as provided in Section 6.1 upon receipt of a new list so furnished.

Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Fiscal Agent that neither the Company nor the Fiscal Agent nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to applicable law.

ARTICLE VII

MERGER, CONSOLIDATION, SALE OR DISPOSITION

SECTION 7.1. *Company May Consolidate, Etc., Only on Certain Terms.*

The Company may not merge or consolidate into any other Person (the Company not being the continuing entity) or sell, lease or dispose of its properties and assets substantially as an entirety (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any Person unless (a) such Person assumes or succeeds the obligations of the Company under the all series of Notes and this Agreement (and, if such Person is organized in a jurisdiction other than Japan, agrees to pay additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such Person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay Additional Amounts pursuant to Section 9.5, substituting such jurisdiction for references to "Japan") and (b) after giving effect thereto, no Event of Default shall have occurred and be continuing (such permitted transaction, a "**Succession Event**").

In connection with any such Succession Event, the Company shall deliver to the Fiscal Agent an Officer's Certificate and an Opinion of Counsel, each stating that such Succession Event and, if an amendment or supplement is required in connection with such transaction, such amendment or supplement, comply with this Section 7.1 and that all conditions precedent in this Agreement provided for or relating to such

transaction have been complied with, and that this Agreement and the Notes are the legal, valid and binding obligation of such succeeding Person, enforceable against such Person in accordance with their terms (subject to customary exceptions).

SECTION 7.2. *Successor Substituted.*

Upon any Succession Event in accordance with Section 7.1, such succeeding entity (the “**Successor Person**”) formed by such Succession Event shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if such Successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Agreement and the Notes.

ARTICLE VIII

AMENDMENTS AND SUPPLEMENTS

SECTION 8.1. *Without Consent of Holders.*

Without the consent of any Holders, the Company and the Fiscal Agent, at any time and from time to time, may enter into one or more amendments or supplements to this Agreement, in form satisfactory to the Fiscal Agent, for any of the following purposes:

- (1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Notes; or
- (2) to add to the covenants of the Company or to surrender any right or power herein conferred upon the Company for the benefit of the Holders; or
- (3) to evidence and provide for the acceptance of appointment hereunder by a successor Fiscal Agent; or
- (4) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, *provided* that such action pursuant to this Clause (4) shall not adversely affect the interests of the Holders of Notes in any material respect; or
- (5) to make any other change that does not adversely affect the interests of the Holders of the Notes in any material respect.

SECTION 8.2. *With Consent of Holders.*

Modification and amendment of this Agreement and the Notes of any series may be made by the Company and the Fiscal Agent with the written consent of the Holders of at least 66% in aggregate principal amount of the Outstanding Notes of each affected series; *provided, however*, that no such modification or amendment may, without the consent of the Holder of each Outstanding Note affected thereby:

- (i) change the maturity date of the principal or payment date of any interest or change any obligation of the Company to pay any Additional Amounts,
- (ii) reduce the principal amount of, or rate of interest on, any Note,
- (iii) change the redemption date or price at which Notes are redeemed, including the special mandatory redemption,

- (iv) affect the rights of Holders of less than all the Outstanding Notes,
- (v) change the place of payment where, or the coin or currency in which, any Note or interest thereon is payable, or
- (vi) impair the right of a Holder to institute suit for the enforcement of any payment on or with respect to any Note on or after the date when due;

provided, further, that no such modification may, without the consent of the Holders of all Notes of the affected series Outstanding at the time, alter the respective percentages of Outstanding Notes necessary, pursuant to this Agreement, to modify the terms of the Notes, waive past defaults or accelerate the payment of the principal amount of the Notes.

It shall not be necessary for any Act of Holders under this Section 8.2 to approve the particular form of any proposed amendment or supplement hereto, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 8.3. *Execution of Amendments or Supplements.*

In executing, or accepting the additional trusts created by, any amendment or supplement permitted by this Article or the modifications thereby of the trusts created by this Agreement, the Fiscal Agent shall receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment or supplement is authorized or permitted by this Agreement. The Fiscal Agent may, but shall not be obligated to, enter into any such amendment or supplement which affects the Fiscal Agent's own rights, duties or immunities under this Agreement or otherwise.

SECTION 8.4. *Effect of Amendments or Supplements.*

Upon the execution of any amendment or supplement under this Article, this Agreement shall be modified in accordance therewith, and such amendment or supplement shall form a part of this Agreement for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 8.5. *Reference in Notes to Amendments or Supplements.*

Notes authenticated and delivered after the execution of any amendment or supplement pursuant to this Article may, and shall if required by the Fiscal Agent, bear a notation in form approved by the Fiscal Agent as to any matter provided for in such amendment or supplement. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Fiscal Agent and the Company, to any such amendment or supplement may be prepared and executed by the Company and such Notes may be authenticated and delivered by the Fiscal Agent in exchange for Outstanding Notes.

ARTICLE IX

COVENANTS

SECTION 9.1. *Payment of Principal, Interest and Additional Amounts.*

The Company covenants and agrees that it will duly and punctually pay the principal of and interest on the Notes (and Additional Amounts, if any) in accordance with the terms of the Notes and this Agreement.

SECTION 9.2. *Maintenance of Office or Agency.*

So long as any of the Notes remain Outstanding, the Company will maintain in London an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Agreement may be served. The Company will give prompt written notice to the Fiscal Agent of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Fiscal Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Fiscal Agent's Office. The Company hereby initially designates the office of the Paying Agent as specified in the Reverse of Note as the office or agency for each such purpose.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in London for such purposes. The Company will give prompt written notice to the Fiscal Agent of any such designation or rescission and of any change in the location of any such other office or agency.

With respect to any Global Note, and except as otherwise may be specified for such Global Note as contemplated by Section 2.5, the Fiscal Agent's Office shall be the place of payment where such Global Note may be presented or surrendered for payment or for registration of transfer or exchange, or where successor Notes may be delivered in exchange therefor, provided, however, that any such payment, presentation, surrender or delivery effected pursuant to the Applicable Procedures of the Depositary for such Global Note shall be deemed to have been effected at the place of payment for such Global Note in accordance with the provisions of this Agreement.

SECTION 9.3. *Money for Notes Payments to Be Held in Trust.*

Whenever the Company shall have one or more Paying Agents, it shall deposit or cause to be deposited with a Paying Agent, a sum for value each due date sufficient to pay the principal of or interest (or Additional Amounts, if any) on the Notes, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such Paying Agent is the Fiscal Agent) the Company will promptly notify the Fiscal Agent in writing of its action or failure so to act.

The Company will cause each Paying Agent other than the Fiscal Agent to execute and deliver to the Fiscal Agent an instrument in which such Paying Agent shall agree with the Fiscal Agent, subject to the provisions of this Section 9.3, that such Paying Agent will (1) hold all sums held by it for the payment of the principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided, (2) give the Fiscal Agent prompt written notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal or interest on the Notes and (3) during the continuance of any default by the Company (or any other obligor upon the Notes) in the making of any payment in respect of the Notes, upon the written request of the Fiscal Agent, forthwith pay to the Fiscal Agent all sums held in trust by such Paying Agent for payment in respect of the Notes.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Agreement or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Fiscal Agent all sums held in trust by such Paying Agent, such sums to be held by the Fiscal Agent upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Fiscal Agent, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Fiscal Agent or any Paying Agent in trust for the payment of the principal of or interest or Additional Amounts (if applicable) on any Note and remaining unclaimed for two years

after such principal, interest or Additional Amounts have become due and payable and paid to the Fiscal Agent shall, upon receipt of a Company Request, be paid by the Fiscal Agent or such Paying Agent to the Company and, to the extent permitted by law, the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Fiscal Agent or such Paying Agent with respect to such trust money shall thereupon cease.

SECTION 9.4. *Statement by Officers as to Default.*

The Company shall deliver to the Fiscal Agent, reasonably promptly after the Company becomes aware of the occurrence of (i) any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default or (ii) any default in the performance by the Company of any obligation under the Notes or this Agreement, an Officer's Certificate setting forth the details of such Event of Default or default and the action which the Company proposes to take with respect thereto.

The Company will deliver to the Fiscal Agent, within 120 days after the end of each fiscal year of the Company ending after the date hereof or within 10 Business Days of any request by the Fiscal Agent, an Officer's Certificate of the Company, in substantially the form set forth in Exhibit D hereto, stating whether or not to the knowledge of the signer thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions under this Agreement (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default specifying all such defaults and the nature and status thereof of which the signer may have knowledge. As of the date hereof, the fiscal year of the Company ends on March 31 of each calendar year.

SECTION 9.5. *Additional Amounts.*

All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Notes under any of the following circumstances:

(i) the Holder or beneficial owner of the Notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Notes by reason of its (A) having some present or former connection with Japan other than the mere holding of such Notes or (B) being a person having a special relationship with the Company (a "**specially-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of the Notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom the relevant Notes are presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of the Notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to

submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such Notes through a payment handling agent in Japan appointed by it);

(iv) the Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the Notes became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder thereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting its Notes (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the solebeneficial owner of the payment of the principal of, or any interest on, any Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of such Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Fiscal Agent, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Fiscal Agent, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where the Notes are held through a participant of an international clearing organization or a financial intermediary (each, within this Section 9.5, referred to as a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of the Notes is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of the Notes must, at the time of entrusting a Participant with the custody of the relevant Notes, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of the Notes ceases to be so exempted (including the case where a beneficial owner of the Notes that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where Notes are not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of the Notes is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact

that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Fiscal Agent, and the Fiscal Agent shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Fiscal Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the Notes; provided that, except as otherwise set forth in the Notes and in this Agreement, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to this Agreement or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of the Notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the Notes and this Agreement.

SECTION 9.6. Appointment to Fill a Vacancy in Office of Fiscal Agent.

The Company, whenever necessary to avoid or fill a vacancy in the office of Fiscal Agent, will appoint, in the manner provided in Section 5.8, a Fiscal Agent, so that there shall at all times be a Fiscal Agent hereunder.

SECTION 9.7. Indemnification of Judgment Currency.

The Company agrees to indemnify each Holder to the full extent permitted by applicable law against any loss incurred by such Holder as a result of any judgment or order being given or made for any amount due under such Note and such judgment or order being expressed and paid in a currency (the “**Judgment Currency**”) other than Euros (the “**Required Currency**”) and as a result of any variation as between (a) the rate of exchange at which the Required Currency is converted into the Judgment Currency for the purpose of such judgment or order and (b) the spot rate of exchange in London at which the Holder on the date that payment is made pursuant to such judgment or order is able to purchase the Required Currency with the amount of the Judgment Currency actually received by the Holder. The Company’s obligations under this Agreement to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Agreement.

SECTION 9.8. Rule 144A Information.

At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act and is not exempt from reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the

Exchange Act, upon the request of a Holder of, or owner of a beneficial interest in, a Note, the Company shall promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or beneficial owner or to a prospective purchaser of such Note designated by such Holder or beneficial owner or to the Fiscal Agent for delivery to such Holder or beneficial owner or prospective purchaser, as the case may be, in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Note or any interest therein by such Holder or beneficial owner. “**Rule 144A Information**” shall be such information as is at the time of such proposed purchase specified pursuant to Rule 144A(d)(4) under the Securities Act, as amended (or any successor provision thereto).

SECTION 9.9. *Reporting Requirements.*

For as long as any Notes are Outstanding, the Company will promptly furnish to the Fiscal Agent (A) such other documents, reports and information as shall be furnished by the Company to its security holders generally; (B) within six months after the end of each fiscal year, an annual report in English including a consolidated balance sheet and consolidated statements of operations, surplus and cash flows of the Company audited by independent public accountants and prepared in conformity with International Financial Reporting Standards; and (C) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year) an interim report in English including financial statements of the Company (or, if consolidated financial statements are prepared, its consolidated financial statements).

SECTION 9.10. *Negative Pledge.*

So long as any Note remains outstanding, the Company shall not, and shall procure that none of its Principal Subsidiaries shall, create or permit to subsist any Lien on any of its, or, as the case may be, such Principal Subsidiary’s, property, assets or revenues, present or future, to secure for the benefit of the holders of Public External Indebtedness payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien.

ARTICLE X

REDEMPTION AND PURCHASE OF SECURITIES

SECTION 10.1. *Optional Redemption of Fixed Rate Notes.*

The 2020 Notes, the 2022 Notes, the 2026 Notes and the 2030 Notes may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to the maturity date with respect to the 2020 Notes, October 21, 2022 (the “**2022 Par Call Date**”) with respect to the 2022 Notes, August 21, 2026 (the “**2026 Par Call Date**”) with respect to the 2026 Notes and August 21, 2030 (the “**2030 Par Call Date**”) with respect to the 2030 Notes, in each case, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5), at a redemption price equal to the greater of:

(a) 100% of the principal amount of the Notes being redeemed; or

(b) the sum of the present values of the principal and the remaining scheduled payments of interest on the Notes being redeemed (exclusive of interest accrued to the Redemption Date) that would be due if such Notes were (a) held to the maturity date with respect to the 2020 notes or (b) redeemed on the applicable par

call date, in each case discounted to the Redemption Date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Government Bond Rate plus 15 basis points in the case of the 2020 Notes, 25 basis points in the case of the 2022 Notes, 35 basis points in the case of the 2026 Notes and 40 basis points in the case of the 2030 Notes, plus, in each case, accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the Redemption Date.

The 2022 Notes, the 2026 Notes and the 2030 Notes may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the 2022 Par Call Date with respect to the 2022 Notes, the 2026 Par Call Date with respect to the 2026 Notes, and the 2030 Par Call Date with respect to the 2030 Notes, in each case upon giving not less than 30 nor more than 60 days' notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5), at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to, but excluding, the Redemption Date.

If less than all of the Notes are to be redeemed, the Notes shall be redeemed on a pro rata basis (or, in the case of Notes represented by global notes, in accordance with the procedures of Euroclear and/or Clearstream), based on the then outstanding principal amount of each Note, provided, however, that if any such pro-rated redemption would result in any Notes having an authorized principal amount of less than the minimum authorized denomination, all such Notes shall be redeemed in full prior to the redemption of any other Notes, except as may be provided in the form of Note or in any amendment or supplement hereto. For all purposes of this Agreement, unless the context otherwise requires, all provisions relating to the redemption of the Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

SECTION 10.2. *Optional Redemption due to an Additional Amounts Event.*

Each series of the Notes may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, upon giving not less than 30 nor more than 60 days' notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5) at the principal amount of the Notes together with interest accrued to the date fixed for redemption and any Additional Amounts thereon, if the Company has been or will be obliged to pay any Additional Amounts with respect to such series as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the Notes or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 10.2 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to the Notes.

Prior to the publication of any notice of redemption pursuant to this Section 10.2, the Company shall deliver to the Fiscal Agent (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Fiscal Agent shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

SECTION 10.3. *Special Mandatory Redemption.*

If (i) the Shire Acquisition has not been consummated on or prior to the Long Stop Date or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Agreement.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Fiscal Agent, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Fiscal Agent or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

SECTION 10.4. *Election to Redeem; Notice to Fiscal Agent.*

The election of the Company to redeem any Notes shall be evidenced by a Company Order and an Officer's Certificate, both given to the Fiscal Agent.

SECTION 10.5. *Notice of Redemption.*

Notice of redemption shall be given transmitted not less than 30 nor more than 60 days prior to the date for redemption ("**Redemption Date**"), to the Fiscal Agent and to each Holder of Notes to be redeemed at his address appearing in the Notes Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company (as set forth below) shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the redemption price and the amount of any accrued and unpaid interest payable on the Redemption Date,
- (3) the ISIN and Common Code or other identifying number of the Notes,
- (4) that on the Redemption Date, the redemption price (together with any accrued and unpaid interest payable on the Redemption Date) will become due and payable upon each such Notes to be redeemed and that interest thereon will cease to accrue on and after said date, and

(5) the place or places where such Notes are to be surrendered for payment of the redemption price, and accrued interest, if any.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request by the Fiscal Agent in the name and at the expense of the Company (provided that the Company shall have delivered to the Fiscal Agent, at least five Business Days before notice of redemption is required to be given to Holders (unless a shorter notice shall be agreed to by the Fiscal Agent), a Company Request requesting that the Fiscal Agent give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph) and shall be irrevocable.

SECTION 10.6. *Deposit of Redemption Price.*

Prior to any Redemption Date, the Company shall deposit with the Fiscal Agent or with a Paying Agent an amount of money sufficient to pay the redemption price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Notes which are to be redeemed on that date.

SECTION 10.7. *Notes Payable on Redemption Date.*

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price applicable thereto, and from and after such date (unless the Company shall default in the payment of the redemption price and accrued interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the redemption price, together with accrued interest to the Redemption Date; *provided, however*, that installments of interest whose payment date is on or prior to the Redemption Date will be payable to the Holders of such Notes, registered as such at the close of business on the relevant Record Date according to their terms.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the terms of the Note.

SECTION 10.8. *Repurchase of Notes.*

The Company or any subsidiary thereof may, at any time, purchase the Notes for cancellation in the open market or otherwise at any price.

ARTICLE XI

CALCULATION AGENT

SECTION 11.1. *Appointment.*

The Company appoints MUFG Bank, Ltd. as the initial Calculation Agent in relation to any Floating Rate Note issued under this Agreement. MUFG Bank, Ltd. accepts its appointment as Calculation Agent, subject to the conditions of this Article.

SECTION 11.2. *Calculation of Floating Interest.*

The Calculation Agent shall calculate the interest rates and amounts of interest payable in respect of the Floating Rate Notes at such dates and times and in accordance with such other terms and conditions as set forth on any Registered Security of such series.

Unless otherwise instructed by the Company, the Calculation Agent will cause the interest rate, the number of days in, and the interest amount for, the relevant interest period and the interest payment date, in respect of each series of the Floating Rate Notes to be notified to the Company, the Fiscal Agent and Euroclear or Clearstream, as applicable, or through Euroclear or Clearstream, as applicable, or through other reasonable means to make such information available, in order that such information will be published or notified to the Holders of record as soon as possible after their determination but in no event later than the first day of the relevant interest period. If the Floating Rate Notes become due and payable as described in Article X or pursuant to an acceleration upon an Event of Default other than on an interest payment date, the accrued interest payable, the interest rate, the number of days in the relevant interest period and the interest payment date in respect of such Floating Rate Notes shall nevertheless continue to be calculated and notified as previously in accordance with the foregoing provisions and this Agreement. All determinations and calculations made by the Calculation Agent, and any quotations obtained from the relevant banks for the purposes of calculating the interest rate and interest amount, pursuant to the foregoing provisions will, in the absence of negligence, bad faith or manifest error, be binding on the Holders, the Company, the Fiscal Agent, the Paying Agent and the Calculation Agent. The interest rate payable on any Floating Rate Notes will not be higher than the maximum rate permitted by the law of the State of New York as modified by United States law of general application or by Japanese law and as notified to the Fiscal Agent and the paying agent in writing five Business Days prior to any interest payment date, if applicable.

SECTION 11.3. *Commissions; Incidental Acts.*

The Company shall promptly pay to the Calculation Agent such fees as agreed in writing between the Company and the Calculation Agent, in respect of the services of the Calculation Agent (plus any applicable value added tax), in accordance with the provisions of this Agreement. The Calculation Agent shall not charge any other commissions or expenses to any person in respect of its actions hereunder. The Company and the Calculation Agent will carry out such other incidental acts as may reasonably be necessary to perform each party's respective obligations hereunder.

SECTION 11.4. *Rights and Liabilities of the Calculation Agent.*

No provision of this Agreement shall be construed to relieve the Calculation Agent from liability for its own negligent action, its own negligent failure to act, its own bad faith or its own willful misconduct.

(a) The Calculation Agent (i) may engage and pay for the advice or services of any lawyers or other experts whose advice or services it considers necessary or advisable and rely upon any advice so obtained; (ii) may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and (iii) shall be entitled to rely on and assume (without further inquiry) that any matter purported to be authorized, approved or ratified by any Board Resolution or Officer's Certificate is adequate and complete authorization, approval and ratification in respect of the Company and its actions under this Agreement.

(b) The Calculation Agent shall not be deemed to have notice of any Event of Default unless a Responsible Officer of the Calculation Agent has received written notice thereof and such notice references the Floating Rate Notes and this Agreement.

(c) In no event shall the Calculation Agent be liable for any action taken in accordance with the instructions of the Company in the absence of bad faith, negligence or willful misconduct on its part.

(d) Notwithstanding the satisfaction or discharge of this Agreement or the resignation, replacement or removal of the Calculation Agent, the Calculation Agent shall under no circumstances be

liable to any party for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, *inter alia*, loss of business, goodwill, opportunity or profit) even if advised of the likelihood of such loss on damages and regardless of the form of action. The provisions of this Section 11.04(d) shall survive the termination and discharge of this Agreement and the resignation or removal of the Calculation Agent.

(e) In no event shall the Calculation Agent be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, existing or future law or regulation, any existing or future act of governmental authority, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Calculation Agent shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(f) The Calculation Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document (except those issued by the Calculation Agent), but the Calculation Agent, in its discretion, may make such reasonable further inquiry or investigation into such facts or matters as it may see fit, at the cost of the Company, and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(g) The Calculation Agent may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Agreement, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(h) The permissive right of the Calculation Agent hereunder to take or omit to take any action shall not be construed as a duty.

(i) The Company covenants to indemnify the Calculation Agent for, and to hold it harmless against, any loss, liability or expense arising out of or in connection with the performance of its duties hereunder, including the reasonable costs and expenses (including the properly incurred charges and expenses of its agents and counsel) of defending itself against or investigating any claim of liability arising out of or in connection with the same, except to the extent such loss, liability or expense is due to the bad faith, negligence, or willful misconduct of the Calculation Agent. The obligations of the Company under this Section 11.04 to compensate and indemnify the Calculation Agent and to pay or reimburse the Calculation Agent for expenses shall survive the resignation or removal of the Calculation Agent and the satisfaction and discharge of this Agreement.

(j) None of the provisions contained in this Agreement shall require the Calculation Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, unless it is indemnified and/or secured to its reasonable satisfaction.

SECTION 11.5. *Resignation and Removal.*

The Calculation Agent may at any time resign as Calculation Agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective; *provided, however*, that such date shall never be earlier than 30 days after the receipt of such notice by the Company, unless the Company otherwise agrees in writing. The Calculation Agent may be removed at any

time by the filing with it of any instrument in writing signed on behalf of the Company and specifying such removal and the date when it is intended to become effective. Such resignation or removal shall take effect upon the date of the appointment by the Company, as hereinafter provided, of a successor Calculation Agent. If within 30 days after notice of resignation or removal has been given, a successor Calculation Agent has not been appointed, the Calculation Agent may, on behalf of and at the expense of the Company, with prior notice to the Company, appoint its own successor or the resigning Calculation Agent or the Company may petition any court of competent jurisdiction for the appointment of a successor Calculation Agent. If at any time the Calculation Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Calculation Agent shall be taken under the control of any State or federal court or administrative body because of bankruptcy or insolvency or for any other reason, then a successor Calculation Agent shall as soon as practicable be appointed by the Company by an instrument in writing filed with the predecessor Calculation Agent, the successor Calculation Agent and the Fiscal Agent. Upon the appointment of a successor Calculation Agent and acceptance by it of such appointment, the Calculation Agent so succeeded shall cease to be such Calculation Agent hereunder. Upon its resignation or removal, the Calculation Agent shall be entitled to the payment by the Company of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable out-of-pocket expenses (including properly incurred counsel fees and expenses) incurred in connection with the services rendered by it hereunder and to the payment of all other amounts owed to it hereunder.

Any successor Calculation Agent appointed hereunder shall execute and deliver to its predecessor, the Company and the Fiscal Agent an instrument accepting such appointment hereunder, and thereupon such successor Calculation Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Calculation Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Calculation Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Calculation Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By: /s/ Mitsuhiro Okada
Name: Mitsuhiro Okada
Title: Head of Global Treasury & Finance
Management

MUFG BANK, LTD.,
as Fiscal Agent

By: /s/ Nikola Moore
Name: Nikola Moore
Title: Director

FORM OF RULE 144A GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

TRANSFERS AND EXCHANGES OF THIS NOTE, IN WHOLE OR IN PART, AND OF BENEFICIAL INTERESTS IN THIS NOTE ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE FISCAL AGENCY AGREEMENT, A COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE OFFICE OF THE FISCAL AGENT.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR BANK SA/NV, AS OPERATOR OF THE EUROCLEAR SYSTEM (“**EUROCLEAR**”) AND CLEARSTREAM BANKING S.A. (“**CLEARSTREAM**” AND, TOGETHER WITH EUROCLEAR, “**EUROCLEAR/CLEARSTREAM**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF MUGF NOMINEES (UK) LIMITED OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM (AND ANY PAYMENT IS MADE TO MUGF NOMINEES (UK) LIMITED OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MUGF NOMINEES (UK) LIMITED, HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN

ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[0.375% Senior Notes due 2020]
[1.125% Senior Notes due 2022]
[2.250% Senior Notes due 2026]
[3.000% Senior Notes due 2030]

No. 144A-1

Principal Amount €●

ISIN ●¹

Common Code ●²

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to MUFG Nominees (UK) Limited, or registered assigns, the principal amount set forth above on ●³, and to pay interest thereon from November 21, 2018 or from the most recent Interest Payment Date to which interest has been paid or made available for payment, annually in arrears on each Interest Payment Date commencing on November 21, 2019, at the rate of ●⁴% per annum, together with such Additional Amounts (if any) as may be payable under this Note, until the principal hereof is paid or made available for payment. Interest on this Note will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the fixed rate notes (or from November 21, 2018, if no interest has been paid on the fixed rate notes) to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) (as defined in the rulebook of the International Capital Market Association). Interest will be calculated per €1,000 in principal amount of the Notes. This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

In any case in which any date for payment of principal or interest (or Additional Amounts, if any) falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

“**Interest Payment Date**” means November 21 during the term of this Note.

“**Business Day**” means both a day on which the TARGET2 System is open, and a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

¹ XS1843449551 for the 2020 Notes; XS1843449635 for the 2022 Notes; XS1843448660 for the 2026 Notes; XS1843448744 for the 2030 Notes.

² 184344955 for the 2020 Notes; 184344963 for the 2022 Notes; 184344866 for the 2026 Notes; 184344874 for the 2030 Notes.

³ November 21, 2020 for the 2020 Notes; November 21, 2022 for the 2022 Notes; November 21, 2026 for the 2026 Notes; November 21, 2030 for the 2030 Notes.

⁴ 0.375% for the 2020 Notes; 1.125% for the 2022 Notes; 2.250% for the 2026 Notes; 3.000% for the 2030 Notes.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Fiscal Agent for authentication.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Fiscal Agency Agreement:

Dated: _____, 20__

MUFG BANK, LTD.,
as Fiscal Agent

By _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

The principal amount of this Note shall be paid on any redemption date, in immediately available funds in London upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Bank, Ltd., as fiscal agent (MUFG Bank, Ltd. or any duly appointed successor fiscal agent acting in such capacity herein referred to as the “**Fiscal Agent**”), pursuant to an Fiscal Agency Agreement (such agreement, as it may be amended from time to time, the “**Agreement**”), dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Fiscal Agent. The office of the Fiscal Agent at which such payment shall be made is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN or at such other address as the Fiscal Agent shall specify (the “**Fiscal Agent’s Office**”) by notice to the Holder (as defined in the Agreement). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Agreement.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in Europe designated by the Holder in a written notice received by the Fiscal Agent (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Fiscal Agent for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Fiscal Agent. “**Record Date**” means, with respect to an Interest Payment Date, the day falling one clearing system Business Day prior to such Interest Payment Date.

1. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in Euros or in such other coin or currency of the Eurozone as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Fiscal Agent for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Agreement (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in London, where Notes may be presented or surrendered for payment.

2. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Fiscal Agent’s Office in London, where the Fiscal Agent shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Fiscal Agent shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of €100,000 or an integral multiple of €1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Fiscal Agent and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Fiscal Agent may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Agreement to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant

to this Note and the Agreement only if: (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Agreement) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Agreement. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Agreement, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Fiscal Agent may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Fiscal Agent shall not be affected by any notice to the contrary.

3. Except as provided in Sections 5, 6, 7 and 8 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to ⁵.

4. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a "**specially-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax

⁵ November 21, 2020 for the 2020 Notes; November 21, 2022 for the 2022 Notes; November 21, 2026 for the 2026 Notes; November 21, 2030 for the 2030 Notes.

Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Fiscal Agent, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Fiscal Agent, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Fiscal Agent, and the Fiscal Agent shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Fiscal Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Agreement, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Agreement or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Agreement.

5. This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to ●⁶ [(the “**Par Call Date**”)]⁷, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Fiscal Agent and the Holders, at a redemption price equal to the greater of (a) 100% of the principal amount of this Note being redeemed or (b) the sum of the present values of the principal and the remaining scheduled payments of interest on this Note being redeemed (exclusive of interest accrued to the Redemption Date (as defined in the Agreement)), that would be due if this Note were [held to the maturity date]⁸ [redeemed on the Par Call Date]⁹, discounted to the Redemption Date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Government Bond Rate (as defined in the Agreement) plus ●¹⁰ basis points, plus, in each case, accrued and unpaid interest on the principal amount of this Note being redeemed up to, but excluding, the Redemption Date.

⁶ November 21, 2020 for the 2020 Notes; October 21, 2022 for the 2022 Notes; August 21, 2026 for the 2026 Notes; August 21, 2030 for the 2030 Notes.

⁷ For the 2022 Notes, the 2026 Notes and the 2030 Notes.

⁸ For the 2020 Notes.

⁹ For the 2022 Notes, the 2026 Notes and the 2030 Notes.

¹⁰ 15 for the 2020 Notes; 25 for the 2022 Notes; 35 for the 2026 Notes; 40 for the 2030 Notes.

[This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 nor more than 60 days' notice of redemption to the Fiscal Agent and the Holders, at a redemption price equal to 100% of the principal amount of this Note being redeemed plus accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.]¹¹

The redemption prices for this Note will be calculated on the basis of a 365-day year or a 366-day year, as applicable, and the actual number of days elapsed.

6. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days' notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 6 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 6, the Company shall deliver to the Fiscal Agent (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Fiscal Agent shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

7. If (i) the Shire Acquisition (as defined in the Agreement) has not been consummated on or prior to the Long Stop Date (as defined below) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

The "**Long Stop Date**" means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement, dated May 8, 2018, between Takeda Pharmaceutical Company Limited and Shire plc.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Agreement.

¹¹ Only for the 2022 Notes, the 2026 Notes and the 2030 Notes.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Fiscal Agent, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Fiscal Agent or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

8. In the case of any redemption of this Note as provided in Section 5, 6 or 7 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

9. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Fiscal Agent, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Fiscal Agent in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Fiscal Agent shall be discharged from such trust, and repaid to the Company, and all liability of the Fiscal Agent with respect to such money shall cease.

10. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Fiscal Agent, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Fiscal Agent, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Fiscal Agent shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Fiscal Agent shall have received (a) satisfactory evidence (as so deemed by the Fiscal Agent in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Fiscal Agent satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Agreement, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Agreement equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

11. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku,

Tokyo 103-8668, Japan, Fax: +81-3-3278-2198, Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

12. This Note is one of the ●^{12%} Senior Notes due ●¹³ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Agreement, copies of which are on file and available for inspection at the Fiscal Agent’s Office. Under the terms of the Agreement, the Company may remove any Fiscal Agent and appoint a new Fiscal Agent. The Company shall notify, or cause the Fiscal Agent to notify, the Holders of Notes of the appointment of any Fiscal Agent.

The Notes are issuable only as fully registered Notes without coupons in denominations of €100,000 or integral multiples of €1,000 in excess thereof.

13. Article VIII of the Agreement, which provides for amendments to the Agreement and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

14. Subject to the authentication of this Note by the Fiscal Agent, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

15. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

¹² 0.375% for the 2020 Notes; 1.125% for the 2022 Notes; 2.250% for the 2026 Notes; 3.000% for the 2030 Notes.

¹³ 2020 for the 2020 Notes; 2022 for the 2022 Notes; 2026 for the 2026 Notes; 2030 for the 2030 Notes.

FORM OF REGULATION S GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR BANK SA/NV, AS OPERATOR OF THE EUROCLEAR SYSTEM (“**EUROCLEAR**”) AND CLEARSTREAM BANKING S.A. (“**CLEARSTREAM**” AND, TOGETHER WITH EUROCLEAR, “**EUROCLEAR/CLEARSTREAM**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF MUFG NOMINEES (UK) LIMITED OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM (AND ANY PAYMENT IS MADE TO MUFG NOMINEES (UK) LIMITED OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MUFG NOMINEES (UK) LIMITED, HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN

INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[0.375% Senior Notes due 2020]
[1.125% Senior Notes due 2022]
[2.250% Senior Notes due 2026]
[3.000% Senior Notes due 2030]

No. Reg S-1

Principal Amount €●

ISIN ●¹⁴

Common Code ●¹⁵

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to MUFG Nominees (UK) Limited, or registered assigns, the principal amount set forth above on ●¹⁶, and to pay interest thereon from November 21, 2018 or from the most recent Interest Payment Date to which interest has been paid or made available for payment, annually in arrears on each Interest Payment Date commencing on November 21, 2019, at the rate of ●¹⁷% per annum, together with such Additional Amounts (if any) as may be payable under this Note, until the principal hereof is paid or made available for payment. Interest on this Note will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the fixed rate notes (or from November 21, 2018, if no interest has been paid on the fixed rate notes) to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) (as defined in the rulebook of the International Capital Market Association). Interest will be calculated per €1,000 in principal amount of the Notes. This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

In any case in which any date for payment of principal or interest (or Additional Amounts, if any) falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

“**Interest Payment Date**” means November 21 during the term of this Note.

“**Business Day**” means both a day on which the TARGET2 System is open, and a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

¹⁴ XS1843449981 for the 2020 Notes; XS1843449049 for the 2022 Notes; XS1843449122 for the 2026 Notes; XS1843449395 for the 2030 Notes.

¹⁵ 184344998 for the 2020 Notes; 184344904 for the 2022 Notes; 184344912 for the 2026 Notes; 184344939 for the 2030 Notes.

¹⁶ November 21, 2020 for the 2020 Notes; November 21, 2022 for the 2022 Notes; November 21, 2026 for the 2026 Notes; November 21, 2030 for the 2030 Notes.

¹⁷ 0.375% for the 2020 Notes; 1.125% for the 2022 Notes; 2.250% for the 2026 Notes; 3.000% for the 2030 Notes.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Fiscal Agent for authentication.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Fiscal Agency Agreement:

Dated: _____, 20__

MUFG BANK, LTD.,
as Fiscal Agent

By _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

The principal amount of this Note shall be paid on any redemption date, in immediately available funds in London upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Bank, Ltd., as fiscal agent (MUFG Bank, Ltd. or any duly appointed successor fiscal agent acting in such capacity herein referred to as the “**Fiscal Agent**”), pursuant to an Fiscal Agency Agreement (such agreement, as it may be amended from time to time, the “**Agreement**”), dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Fiscal Agent. The office of the Fiscal Agent at which such payment shall be made is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN or at such other address as the Fiscal Agent shall specify (the “**Fiscal Agent’s Office**”) by notice to the Holder (as defined in the Agreement). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Agreement.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in Europe designated by the Holder in a written notice received by the Fiscal Agent (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Fiscal Agent for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Fiscal Agent. “**Record Date**” means, with respect to an Interest Payment Date, the day falling one clearing system Business Day prior to such Interest Payment Date.

1. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in Euros or in such other coin or currency of the Eurozone as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Fiscal Agent for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Agreement (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in London, where Notes may be presented or surrendered for payment.

2. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Fiscal Agent’s Office in London, where the Fiscal Agent shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Fiscal Agent shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of €100,000 or an integral multiple of €1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Fiscal Agent and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Fiscal Agent may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Agreement to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant

to this Note and the Agreement only if: (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Agreement) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Agreement. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Agreement, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Fiscal Agent may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Fiscal Agent shall not be affected by any notice to the contrary.

3. Except as provided in Sections 5, 6, 7 and 8 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to ●¹⁸.

4. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax (“**Taxes**”), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts (“**Additional Amounts**”) as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a “**specially-related person of the Company**”) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the “**Act on Special Taxation Measures**”);

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax

¹⁸ November 21, 2020 for the 2020 Notes; November 21, 2022 for the 2022 Notes; November 21, 2026 for the 2026 Notes; November 21, 2030 for the 2030 Notes.

Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Fiscal Agent, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Fiscal Agent, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Fiscal Agent, and the Fiscal Agent shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Fiscal Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Agreement, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Agreement or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Agreement.

5. This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to ●¹⁹ [(the “**Par Call Date**”)]²⁰, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Fiscal Agent and the Holders, at a redemption price equal to the greater of (a) 100% of the principal amount of this Note being redeemed or (b) the sum of the present values of the principal and the remaining scheduled payments of interest on this Note being redeemed (exclusive of interest accrued to the Redemption Date (as defined in the Agreement)), that would be due if this Note were [held to the maturity date]²¹ [redeemed on the Par Call Date]²², discounted to the Redemption Date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Government Bond Rate (as defined in the Agreement) plus ●²³ basis points, plus, in each case, accrued and unpaid interest on the principal amount of this Note being redeemed up to, but excluding, the Redemption Date.

[This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 nor more than 60 days’

¹⁹ November 21, 2020 for the 2020 Notes; October 21, 2022 for the 2022 Notes; August 21, 2026 for the 2026 Notes; August 21, 2030 for the 2030 Notes.

²⁰ For the 2022 Notes, the 2026 Notes and the 2030 Notes.

²¹ For the 2020 Notes.

²² For the 2022 Notes, the 2026 Notes and the 2030 Notes.

²³ 15 for the 2020 Notes; 25 for the 2022 Notes; 35 for the 2026 Notes; 40 for the 2030 Notes.

notice of redemption to the Fiscal Agent and the Holders, at a redemption price equal to 100% of the principal amount of this Note being redeemed plus accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.]²⁴

The redemption prices for this Note will be calculated on the basis of a 365-day year or a 366-day year, as applicable, and the actual number of days elapsed.

6. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days' notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 6 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 6, the Company shall deliver to the Fiscal Agent (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Fiscal Agent shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

7. If (i) the Shire Acquisition (as defined in the Agreement) has not been consummated on or prior to the Long Stop Date (as defined below) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

The "**Long Stop Date**" means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement, dated May 8, 2018, between Takeda Pharmaceutical Company Limited and Shire plc.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Agreement.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Fiscal Agent, within five Business Days after the occurrence of the event triggering the special

²⁴ Only for the 2022 Notes, the 2026 Notes and the 2030 Notes.

mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Fiscal Agent or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

8. In the case of any redemption of this Note as provided in Section 5, 6 or 7 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

9. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Fiscal Agent, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Fiscal Agent in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Fiscal Agent shall be discharged from such trust, and repaid to the Company, and all liability of the Fiscal Agent with respect to such money shall cease.

10. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Fiscal Agent, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Fiscal Agent, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Fiscal Agent shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Fiscal Agent shall have received (a) satisfactory evidence (as so deemed by the Fiscal Agent in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Fiscal Agent satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Agreement, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Agreement equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

11. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan, Fax: +81-3-3278-2198, Attention: Global Treasury & Finance Management, Group

Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

12. This Note is one of the ●²⁵% Senior Notes due ●²⁶ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Agreement, copies of which are on file and available for inspection at the Fiscal Agent’s Office. Under the terms of the Agreement, the Company may remove any Fiscal Agent and appoint a new Fiscal Agent. The Company shall notify, or cause the Fiscal Agent to notify, the Holders of Notes of the appointment of any Fiscal Agent.

The Notes are issuable only as fully registered Notes without coupons in denominations of €100,000 or integral multiples of €1,000 in excess thereof.

13. Article VIII of the Agreement, which provides for amendments to the Agreement and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

14. Subject to the authentication of this Note by the Fiscal Agent, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

15. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

²⁵ 0.375% for the 2020 Notes; 1.125% for the 2022 Notes; 2.250% for the 2026 Notes; 3.000% for the 2030 Notes.

²⁶ 2020 for the 2020 Notes; 2022 for the 2022 Notes; 2026 for the 2026 Notes; 2030 for the 2030 Notes.

FORM OF RULE 144A GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

TRANSFERS AND EXCHANGES OF THIS NOTE, IN WHOLE OR IN PART, AND OF BENEFICIAL INTERESTS IN THIS NOTE ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE FISCAL AGENCY AGREEMENT, A COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE OFFICE OF THE FISCAL AGENT.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR BANK SA/NV, AS OPERATOR OF THE EUROCLEAR SYSTEM (“**EUROCLEAR**”) AND CLEARSTREAM BANKING S.A. (“**CLEARSTREAM**” AND, TOGETHER WITH EUROCLEAR, “**EUROCLEAR/CLEARSTREAM**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF MUGF NOMINEES (UK) LIMITED OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM (AND ANY PAYMENT IS MADE TO MUGF NOMINEES (UK) LIMITED OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MUGF NOMINEES (UK) LIMITED, HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN

ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[Senior Floating Rate Notes due 2020]

[Senior Floating Rate Notes due 2022]

No. 144A-1

Principal Amount €●

ISIN ●²⁷

Common Code ●²⁸

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to MUFG Nominees (UK) Limited, or registered assigns, the principal amount set forth above on ●²⁹. The Company will make interest payments on the Notes on each February 21, May 21, August 21 and November 21 of each year, with the first interest payment being made on February 21, 2019. The Company will make interest payments to the person in whose name the Notes are registered at the close of business on the day falling one clearing system business day prior to the respective interest payment date.

The per annum interest rate on the Notes in effect for each day of a Floating Rate Interest Period (as defined below) will be equal to the Applicable EURIBOR Rate plus ●³⁰ basis points (the “**Floating Interest Rate**”), provided, however, that in no event shall the interest rate be less than zero. The Floating Interest Rate for each Floating Rate Interest Period will be set on February 21, May 21, August 21 and November 21 of each year, and will be set for the initial Floating Rate Interest Period on November 21, 2018 (each such date, a “**Floating Rate Interest Reset Date**”) until the principal on the Notes is paid or made available for payment (the “**Floating Rate Principal Payment Date**”). If any Floating Rate Interest Reset Date (other than the initial Floating Rate Interest Reset Date occurring on February 21, 2019) and Floating Rate Interest Payment Date would otherwise be a day that is not a EURIBOR Business Day, such Floating Rate Interest Reset Date and Floating Rate Interest Payment Date shall be the next succeeding EURIBOR Business Day, unless the next succeeding EURIBOR Business Day is in the next succeeding calendar month, in which case such Floating Rate Interest Reset Date and Floating Rate Interest Payment Date shall be the immediately preceding EURIBOR Business Day.

“**EURIBOR Business Day**” means any day that is not a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London, and is a day on which the TARGET2 System, or any successor thereto, operates.

“**Floating Rate Interest Period**” shall mean the period from and including a Floating Rate Interest Reset Date to but excluding the next succeeding Floating Rate Interest Reset Date and, in the case of the last such period, from and including the Floating Rate Interest Reset Date immediately preceding the maturity date or Floating Rate Principal Payment Date, as the case may be, to but not including such maturity date or Floating Rate Principal Payment Date, as the case may be. If the Floating Rate Principal Payment Date or maturity date is not a EURIBOR Business Day, then the principal amount of the Notes plus accrued and unpaid interest thereon shall be paid on the next succeeding EURIBOR Business Day and no interest shall accrue for the maturity date, Floating Rate Principal Payment Date or any day thereafter.

²⁷ XS1843450054 for the 2020 Floating Rate Notes; XS1843449478 for the 2022 Floating Rate Notes.

²⁸ 184345005 for the 2020 Floating Rate Notes; 184344947 for the 2022 Floating Rate Notes.

²⁹ November 21, 2020 for the 2020 Floating Rate Notes; November 21, 2022 for the 2022 Floating Rate Notes.

³⁰ 0.55% for the 2020 Floating Rate Notes; 1.10% for the 2022 Floating Rate Notes.

The “**Applicable EURIBOR Rate**” shall mean the rate determined in accordance with the following provisions:

(1) Two prior TARGET days on which dealings in deposits in euros are transacted in the euro-zone interbank market preceding each Floating Rate Interest Reset Date (each such date, an “**Interest Determination Date**”), MUFG Bank, Ltd. (the “**Calculation Agent**”), as agent for the Company, will determine the Applicable EURIBOR Rate which shall be the rate for deposits in euro having a maturity of three months commencing on the first day of the applicable interest period that appears on the Reuters Screen EURIBOR01 Page as of 11:00 a.m., Brussels time, on such Interest Determination Date. “**Reuters Screen EURIBOR01 Page**” means the display designated on page “EURIBOR01” on Reuters (or such other page as may replace the EURIBOR01 page on that service or any successor service for the purpose of displaying euro-zone interbank offered rates for euro-denominated deposits of major banks). If the Applicable EURIBOR Rate on such Interest Determination Date does not appear on the Reuters Screen EURIBOR01 Page, the Applicable EURIBOR Rate will be determined as described in (2) below.

(2) With respect to an Interest Determination Date for which the Applicable EURIBOR Rate does not appear on the Reuters Screen EURIBOR01 Page as specified in (1) above, the Applicable EURIBOR Rate will be determined on the basis of the rates at which deposits in euro are offered by four major banks in the euro-zone interbank market selected by the Company (the “**Reference Banks**”) at approximately 11:00 a.m., Brussels time, on such Interest Determination Date to prime banks in the euro-zone interbank market having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time. The Company will request the principal euro-zone office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of such quotations. If fewer than two quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of the rates quoted by three major banks in the euro-zone selected by the Company at approximately 11:00 a.m., Brussels time, on such Interest Determination Date for loans in euro to leading European banks, having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks so selected as aforesaid by the Company are not quoting as mentioned in this sentence, the relevant Floating Interest Rate for the Floating Rate Interest Period commencing on the Floating Rate Interest Reset Date following such Interest Determination Date will be the Floating Interest Rate in effect on such Interest Determination Date (i.e., the same as the rate determined for the immediately preceding Floating Rate Interest Reset Date).

(3) If the Applicable EURIBOR Rate for the relevant Floating Rate Interest Period has ceased to be published on the Reuters Screen EURIBOR01 Page as a result of the Applicable EURIBOR Rate ceasing to be calculated or administered and a suitable substitute reference rate is available which either is officially announced as successor to the Applicable EURIBOR Rate or, failing that, in our opinion after consultation with an independent financial adviser appointed by the Company, comes as close as possible to the composition of the existing Applicable EURIBOR Rate and is not prejudicial to the holders of the floating rate notes, the existing Applicable EURIBOR Rate will be replaced for the remaining term to maturity of the Notes by this substitute reference rate and such substitute reference rate shall be the Applicable EURIBOR Rate in relation to the Notes for all future Floating Rate Interest Periods. A precondition for this is that, in accordance with Article 29(1) of the Regulation (EU) 2016/1011

of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmark Regulation**”), the substitute reference rate (x) will be provided by an administrator located in the European Union and which will be included in the register as referred to in Article 36 of the Benchmark Regulation or (y) will be provided by an administrator located in a third country for use in the European Union and the substitute reference rate as well as the administrator will be included in the register as referred to in Article 36 of the Benchmark Regulation. If no suitable substitute reference rate is officially announced as successor to the Applicable EURIBOR Rate or if the Company is unable or unwilling to determine the substitute reference rate prior to the Interest Determination Date relating to the next succeeding Floating Rate Interest Period in accordance with this paragraph, the Applicable EURIBOR Rate applicable to such Floating Rate Interest Period shall be equal to the offered quotation on the Reuters Screen EURIBOR01 Page, as described above, on the last day preceding the Interest Determination Date on which such offered quotation was displayed, all as determined by the Calculation Agent.

The amount of interest to be paid on the Notes for any Floating Rate Interest Period will be calculated on the basis of the actual number of days in the relevant Floating Rate Interest Period divided by 360 (known as the “Actual/360” day count).

The Floating Interest Rate and amount of interest to be paid on the Notes for each Floating Rate Interest Period will be determined by the Calculation Agent, rounding the amount of interest to the nearest sub-unit, half of any such sub-unit being rounded upwards. Interest will be calculated per €1,000 in principal amount of the Notes. The Calculation Agent will, upon the request of any holder of the Notes, provide the interest rate at the time of the last interest payment date with respect to the Notes. All calculations made by the Calculation Agent shall in the absence of manifest error be conclusive for all purposes and binding on the Company and the holders of the Notes. So long as the Applicable EURIBOR Rate is required to be determined with respect to the Notes, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail duly to establish the Applicable EURIBOR Rate for any Interest Period, or that the Company proposes to remove such Calculation Agent, the Company shall appoint itself or another person which is a bank, trust company, investment banking firm or other financial institution to act as the Calculation Agent.

This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

“**Business Day**” means both a day on which the TARGET2 System is open, and a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Fiscal Agent for authentication.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Fiscal Agency Agreement:

Dated: _____, 20__

MUFG BANK, LTD.,
as Fiscal Agent

By _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

The principal amount of this Note shall be paid on any redemption date, in immediately available funds in London upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Bank, Ltd., as fiscal agent (MUFG Bank, Ltd. or any duly appointed successor fiscal agent acting in such capacity herein referred to as the “**Fiscal Agent**”), pursuant to an Fiscal Agency Agreement (such agreement, as it may be amended from time to time, the “**Agreement**”), dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Fiscal Agent. The office of the Fiscal Agent at which such payment shall be made is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN or at such other address as the Fiscal Agent shall specify (the “**Fiscal Agent’s Office**”) by notice to the Holder (as defined in the Agreement). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Agreement.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in Europe designated by the Holder in a written notice received by the Fiscal Agent (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Fiscal Agent for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Fiscal Agent.

1. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in Euros or in such other coin or currency of the Eurozone as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Fiscal Agent for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Agreement (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in London, where Notes may be presented or surrendered for payment.

2. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Fiscal Agent’s Office in London, where the Fiscal Agent shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Fiscal Agent shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of €100,000 or an integral multiple of €1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Fiscal Agent and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Fiscal Agent may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Agreement to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant to this Note and the Agreement only if: (i) Euroclear or Clearstream is closed for business for a continuous

period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Agreement) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Agreement. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Agreement, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Fiscal Agent may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Fiscal Agent shall not be affected by any notice to the contrary.

3. Except as provided in Sections 5, 6 and 7 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to ●³¹.

4. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax (“**Taxes**”), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts (“**Additional Amounts**”) as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a “**specially-related person of the Company**”) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the “**Act on Special Taxation Measures**”);

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented (where presentation is required), or whose Interest Recipient Information is not duly

³¹ November 21, 2020 for the 2020 Floating Rate Notes; November 21, 2022 for the 2022 Floating Rate Notes.

communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Fiscal Agent, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Fiscal Agent, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Fiscal Agent, and the Fiscal Agent shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Fiscal Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Agreement, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Agreement or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Agreement.

5. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days’ notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an “**Additional Amounts Event**”). No notice of redemption for an Additional Amounts Event pursuant to this Section 5 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 5, the Company shall deliver to the Fiscal Agent (i) a certificate signed by an Authorized Officer stating that the conditions

precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Fiscal Agent shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

6. If (i) the Shire Acquisition (as defined in the Agreement) has not been consummated on or prior to the Long Stop Date (as defined below) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

The “**Long Stop Date**” means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement, dated May 8, 2018, between Takeda Pharmaceutical Company Limited and Shire plc.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Agreement.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Fiscal Agent, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Fiscal Agent or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

7. In the case of any redemption of this Note as provided in Section 5 or 6 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

8. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Fiscal Agent, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Fiscal Agent in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Fiscal Agent shall be discharged from such trust, and repaid to the Company, and all liability of the Fiscal Agent with respect to such money shall cease.

9. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred

to and such other documents or proof as may be required hereunder) shall be delivered to the Fiscal Agent, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Fiscal Agent, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Fiscal Agent shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Fiscal Agent shall have received (a) satisfactory evidence (as so deemed by the Fiscal Agent in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Fiscal Agent satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Agreement, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Agreement equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

10. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan, Fax: +81-3-3278-2198, Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

11. This Note is one of the Senior Floating Rate Notes due ●³² (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Agreement, copies of which are on file and available for inspection at the Fiscal Agent’s Office. Under the terms of the Agreement, the Company may remove any Fiscal Agent and appoint a new Fiscal Agent. The Company shall notify, or cause the Fiscal Agent to notify, the Holders of Notes of the appointment of any Fiscal Agent.

The Notes are issuable only as fully registered Notes without coupons in denominations of €100,000 or integral multiples of €1,000 in excess thereof.

12. Article VIII of the Agreement, which provides for amendments to the Agreement and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

13. Subject to the authentication of this Note by the Fiscal Agent, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

14. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

³² 2020 for the 2020 Floating Rate Notes; 2022 for the 2022 Floating Rate Notes.

FORM OF REGULATION S GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR BANK SA/NV, AS OPERATOR OF THE EUROCLEAR SYSTEM (“**EUROCLEAR**”) AND CLEARSTREAM BANKING S.A. (“**CLEARSTREAM**” AND, TOGETHER WITH EUROCLEAR, “**EUROCLEAR/CLEARSTREAM**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF MUFG NOMINEES (UK) LIMITED OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM (AND ANY PAYMENT IS MADE TO MUFG NOMINEES (UK) LIMITED OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR/CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MUFG NOMINEES (UK) LIMITED, HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN

INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[Senior Floating Rate Notes due 2020]
[Senior Floating Rate Notes due 2022]

No. Reg S-1

Principal Amount €●

ISIN ●³³

Common Code ●³⁴

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to MUFG Nominees (UK) Limited, or registered assigns, the principal amount set forth above on ●³⁵. The Company will make interest payments on the Notes on each February 21, May 21, August 21 and November 21 of each year, with the first interest payment being made on February 21, 2019. The Company will make interest payments to the person in whose name the Notes are registered at the close of business on the day falling one clearing system business day prior to the respective interest payment date.

The per annum interest rate on the Notes in effect for each day of a Floating Rate Interest Period (as defined below) will be equal to the Applicable EURIBOR Rate plus ●³⁶ basis points (the “**Floating Interest Rate**”), provided, however, that in no event shall the interest rate be less than zero. The Floating Interest Rate for each Floating Rate Interest Period will be set on February 21, May 21, August 21 and November 21 of each year, and will be set for the initial Floating Rate Interest Period on November 21, 2018 (each such date, a “**Floating Rate Interest Reset Date**”) until the principal on the Notes is paid or made available for payment (the “**Floating Rate Principal Payment Date**”). If any Floating Rate Interest Reset Date (other than the initial Floating Rate Interest Reset Date occurring on February 21, 2019) and Floating Rate Interest Payment Date would otherwise be a day that is not a EURIBOR Business Day, such Floating Rate Interest Reset Date and Floating Rate Interest Payment Date shall be the next succeeding EURIBOR Business Day, unless the next succeeding EURIBOR Business Day is in the next succeeding calendar month, in which case such Floating Rate Interest Reset Date and Floating Rate Interest Payment Date shall be the immediately preceding EURIBOR Business Day.

“**EURIBOR Business Day**” means any day that is not a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London, and is a day on which the TARGET2 System, or any successor thereto, operates.

“**Floating Rate Interest Period**” shall mean the period from and including a Floating Rate Interest Reset Date to but excluding the next succeeding Floating Rate Interest Reset Date and, in the case of the last such period, from and including the Floating Rate Interest Reset Date immediately preceding the maturity date or Floating Rate Principal Payment Date, as the case may be, to but not including such maturity date or Floating Rate Principal Payment Date, as the case may be. If the Floating Rate Principal Payment Date or maturity date is not a EURIBOR Business Day, then the principal amount of the Notes plus accrued and unpaid interest thereon shall be paid on the next succeeding EURIBOR Business Day and no interest shall accrue for the maturity date, Floating Rate Principal Payment Date or any day thereafter.

³³ XS1843450138 for the 2020 Floating Rate Notes; XS1843449809 for the 2022 Floating Rate Notes.

³⁴ 184345013 for the 2020 Floating Rate Notes; 184344980 for the 2022 Floating Rate Notes.

³⁵ November 21, 2020 for the 2020 Floating Rate Notes; November 21, 2022 for the 2022 Floating Rate Notes.

³⁶ 0.55% for the 2020 Floating Rate Notes; 1.10% for the 2022 Floating Rate Notes.

The “**Applicable EURIBOR Rate**” shall mean the rate determined in accordance with the following provisions:

(1) Two prior TARGET days on which dealings in deposits in euros are transacted in the euro-zone interbank market preceding each Floating Rate Interest Reset Date (each such date, an “**Interest Determination Date**”), MUFG Bank, Ltd. (the “**Calculation Agent**”), as agent for the Company, will determine the Applicable EURIBOR Rate which shall be the rate for deposits in euro having a maturity of three months commencing on the first day of the applicable interest period that appears on the Reuters Screen EURIBOR01 Page as of 11:00 a.m., Brussels time, on such Interest Determination Date. “**Reuters Screen EURIBOR01 Page**” means the display designated on page “EURIBOR01” on Reuters (or such other page as may replace the EURIBOR01 page on that service or any successor service for the purpose of displaying euro-zone interbank offered rates for euro-denominated deposits of major banks). If the Applicable EURIBOR Rate on such Interest Determination Date does not appear on the Reuters Screen EURIBOR01 Page, the Applicable EURIBOR Rate will be determined as described in (2) below.

(2) With respect to an Interest Determination Date for which the Applicable EURIBOR Rate does not appear on the Reuters Screen EURIBOR01 Page as specified in (1) above, the Applicable EURIBOR Rate will be determined on the basis of the rates at which deposits in euro are offered by four major banks in the euro-zone interbank market selected by the Company (the “**Reference Banks**”) at approximately 11:00 a.m., Brussels time, on such Interest Determination Date to prime banks in the euro-zone interbank market having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time. The Company will request the principal euro-zone office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of such quotations. If fewer than two quotations are provided, the Applicable EURIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of the rates quoted by three major banks in the euro-zone selected by the Company at approximately 11:00 a.m., Brussels time, on such Interest Determination Date for loans in euro to leading European banks, having a maturity of three months, and in a principal amount equal to an amount of not less than €1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks so selected as aforesaid by the Company are not quoting as mentioned in this sentence, the relevant Floating Interest Rate for the Floating Rate Interest Period commencing on the Floating Rate Interest Reset Date following such Interest Determination Date will be the Floating Interest Rate in effect on such Interest Determination Date (i.e., the same as the rate determined for the immediately preceding Floating Rate Interest Reset Date).

(3) If the Applicable EURIBOR Rate for the relevant Floating Rate Interest Period has ceased to be published on the Reuters Screen EURIBOR01 Page as a result of the Applicable EURIBOR Rate ceasing to be calculated or administered and a suitable substitute reference rate is available which either is officially announced as successor to the Applicable EURIBOR Rate or, failing that, in our opinion after consultation with an independent financial adviser appointed by the Company, comes as close as possible to the composition of the existing Applicable EURIBOR Rate and is not prejudicial to the holders of the floating rate notes, the existing Applicable EURIBOR Rate will be replaced for the remaining term to maturity of the Notes by this substitute reference rate and such substitute reference rate shall be the Applicable EURIBOR Rate in relation to the Notes for all future Floating Rate Interest Periods. A precondition for this is that, in accordance with Article 29(1) of the Regulation (EU) 2016/1011

of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**Benchmark Regulation**”), the substitute reference rate (x) will be provided by an administrator located in the European Union and which will be included in the register as referred to in Article 36 of the Benchmark Regulation or (y) will be provided by an administrator located in a third country for use in the European Union and the substitute reference rate as well as the administrator will be included in the register as referred to in Article 36 of the Benchmark Regulation. If no suitable substitute reference rate is officially announced as successor to the Applicable EURIBOR Rate or if the Company is unable or unwilling to determine the substitute reference rate prior to the Interest Determination Date relating to the next succeeding Floating Rate Interest Period in accordance with this paragraph, the Applicable EURIBOR Rate applicable to such Floating Rate Interest Period shall be equal to the offered quotation on the Reuters Screen EURIBOR01 Page, as described above, on the last day preceding the Interest Determination Date on which such offered quotation was displayed, all as determined by the Calculation Agent.

The amount of interest to be paid on the Notes for any Floating Rate Interest Period will be calculated on the basis of the actual number of days in the relevant Floating Rate Interest Period divided by 360 (known as the “Actual/360” day count).

The Floating Interest Rate and amount of interest to be paid on the Notes for each Floating Rate Interest Period will be determined by the Calculation Agent, rounding the amount of interest to the nearest sub-unit, half of any such sub-unit being rounded upwards. Interest will be calculated per €1,000 in principal amount of the Notes. The Calculation Agent will, upon the request of any holder of the Notes, provide the interest rate at the time of the last interest payment date with respect to the Notes. All calculations made by the Calculation Agent shall in the absence of manifest error be conclusive for all purposes and binding on the Company and the holders of the Notes. So long as the Applicable EURIBOR Rate is required to be determined with respect to the Notes, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail duly to establish the Applicable EURIBOR Rate for any Interest Period, or that the Company proposes to remove such Calculation Agent, the Company shall appoint itself or another person which is a bank, trust company, investment banking firm or other financial institution to act as the Calculation Agent.

This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

“**Business Day**” means both a day on which the TARGET2 System is open, and a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Fiscal Agent for authentication.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Fiscal Agency Agreement:

Dated: _____, 20__

MUFG BANK, LTD.,
as Fiscal Agent

By _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

The principal amount of this Note shall be paid on any redemption date, in immediately available funds in London upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Bank, Ltd., as fiscal agent (MUFG Bank, Ltd. or any duly appointed successor fiscal agent acting in such capacity herein referred to as the “**Fiscal Agent**”), pursuant to an Fiscal Agency Agreement (such agreement, as it may be amended from time to time, the “**Agreement**”), dated as of November 21, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Fiscal Agent. The office of the Fiscal Agent at which such payment shall be made is located at Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN or at such other address as the Fiscal Agent shall specify (the “**Fiscal Agent’s Office**”) by notice to the Holder (as defined in the Agreement). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Agreement.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in Europe designated by the Holder in a written notice received by the Fiscal Agent (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Fiscal Agent for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Fiscal Agent.

1. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in Euros or in such other coin or currency of the Eurozone as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Fiscal Agent for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Agreement (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in London, where Notes may be presented or surrendered for payment.

2. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Fiscal Agent’s Office in London, where the Fiscal Agent shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Fiscal Agent shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of €100,000 or an integral multiple of €1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Fiscal Agent and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Fiscal Agent may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Agreement to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant to this Note and the Agreement only if: (i) Euroclear or Clearstream is closed for business for a continuous

period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Agreement) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Agreement. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Agreement, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Fiscal Agent may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Fiscal Agent shall not be affected by any notice to the contrary.

3. Except as provided in Sections 5, 6 and 7 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to ●³⁷.

4. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("Taxes"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("Additional Amounts") as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a "**specialty-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

³⁷ November 21, 2020 for the 2020 Floating Rate Notes; November 21, 2022 for the 2022 Floating Rate Notes.

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Fiscal Agent, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Fiscal Agent, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation

Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Fiscal Agent, and the Fiscal Agent shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Fiscal Agent.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Agreement, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Agreement or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Agreement.

5. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days’ notice of redemption to the Fiscal Agent and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an “**Additional Amounts Event**”). No notice of redemption for an Additional Amounts Event pursuant to this Section 5 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 5, the Company shall deliver to the Fiscal Agent (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Fiscal Agent shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

6. If (i) the Shire Acquisition (as defined in the Agreement) has not been consummated on or prior to the Long Stop Date (as defined below) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

The “**Long Stop Date**” means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement, dated May 8, 2018, between Takeda Pharmaceutical Company Limited and Shire plc.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Agreement.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Fiscal Agent, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Fiscal Agent or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

7. In the case of any redemption of this Note as provided in Section 5 or 6 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Fiscal Agent on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

8. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Fiscal Agent, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Fiscal Agent in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Fiscal Agent shall be discharged from such trust, and repaid to the Company, and all liability of the Fiscal Agent with respect to such money shall cease.

9. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Fiscal Agent, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Fiscal Agent, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Fiscal Agent

shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Fiscal Agent shall have received (a) satisfactory evidence (as so deemed by the Fiscal Agent in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Fiscal Agent satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Agreement, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Agreement equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Fiscal Agent) connected therewith.

10. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan, Fax: +81-3-3278-2198, Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

11. This Note is one of the Senior Floating Rate Notes due ●³⁸ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Agreement, copies of which are on file and available for inspection at the Fiscal Agent’s Office. Under the terms of the Agreement, the Company may remove any Fiscal Agent and appoint a new Fiscal Agent. The Company shall notify, or cause the Fiscal Agent to notify, the Holders of Notes of the appointment of any Fiscal Agent.

The Notes are issuable only as fully registered Notes without coupons in denominations of €100,000 or integral multiples of €1,000 in excess thereof.

12. Article VIII of the Agreement, which provides for amendments to the Agreement and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

13. Subject to the authentication of this Note by the Fiscal Agent, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

14. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

³⁸ 2020 for the 2020 Floating Rate Notes; 2022 for the 2022 Floating Rate Notes.

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM RULE 144A GLOBAL
NOTE TO REGULATION S GLOBAL NOTE
(Transfers Pursuant to Section 2.6(e) of the Fiscal Agency Agreement)

MUFG Bank, Ltd.
as Fiscal Agent
Ropemaker Place, 25 Ropemaker Street,
London EC2Y 9AN

Re: Takeda Pharmaceutical Company Limited
[●% Senior Notes due ●][Senior Floating Rate Notes due ●]

Reference is hereby made to the Fiscal Agency Agreement dated as of November 21, 2018 (the “**Agreement**”) between Takeda Pharmaceutical Company Limited (the “**Company**”) and MUFG Bank, Ltd., as Fiscal Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Agreement.

This letter relates to €● principal amount of [●% Senior Notes due ●][Senior Floating Rate Notes due ●] which are evidenced by one or more Rule 144A Global Notes (ISIN ●³⁹; Common Code ●⁴⁰) and held with Euroclear or Clearstream in the name of [insert name of transferor] (the “**Transferor**”). The Transferor has requested a transfer of such beneficial interest in the Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Regulation S Global Notes (ISIN ●⁴¹; Common Code ●⁴²).

In connection with such request and in respect of such Notes, the Transferor hereby certifies that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Notes and (i) that, with respect to transfer made in reliance on Regulation S (“**Regulation S**”) under the U. S. Securities Act of 1933, as amended (the “**Securities Act**”):

- (a) the offer of the Notes was made to a person other than a “U.S. Person” (as defined in Regulation S);
- (b) either:
 - (1) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

³⁹ XS1843449551 for the 2020 Notes; XS1843450054 for the 2020 Floating Rate Notes; XS1843449635 for the 2022 Notes; XS1843449478 for the 2022 Floating Rate Notes; XS1843448660 for the 2026 Notes; and XS1843448744 for the 2030 Notes.

⁴⁰ 184344955 for the 2020 Notes; 184345005 for the 2020 Floating Rate Notes; 184344963 for the 2022 Notes; 184344947 for the 2022 Floating Rate Notes; 184344866 for the 2026 Notes; and 184344874 for the 2030 Notes.

⁴¹ XS1843449981 for the 2020 Notes; XS1843450138 for the 2020 Floating Rate Notes; XS1843449049 for the 2022 Notes; XS1843449809 for the 2022 Floating Rate Notes; XS1843449122 for the 2026 Notes; and XS1843449395 for the 2030 Notes.

⁴² 184344998 for the 2020 Notes; 184345013 for the 2020 Floating Rate Notes; 184344904 for the 2022 Notes; 184344980 for the 2022 Floating Rate Notes; 184344912 for the 2026 Notes; and 184344939 for the 2030 Notes.

(2) the transaction was executed in, on or through the facilities of a designated offshore securities market described in paragraph (b) of Rule 902 of Regulation S and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

- (c) no directed selling efforts have been made in contravention of the requirements of Rule 903 or 904 of Regulation S, as applicable;
- (d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act;
- (e) the Transferor has advised the transferee of the transfer restrictions applicable in the Notes;
- (f) if the Transferor is a dealer in securities or has received a selling concession, fee or other remuneration in respect of the Notes and the transfer is to occur prior to the expiration of the restricted period then the requirements of Rule 904(b)(1) of Regulation S have been satisfied;

AND (II) THAT, WITH RESPECT TO TRANSFERS MADE IN RELIANCE OF RULE 144 UNDER THE SECURITIES ACT, THE TRANSFEROR HAS HELD THE INTEREST IN RULE 144A GLOBAL NOTES TO BE EXCHANGED BEYOND THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD SET FORTH IN RULE 144(D)(1) AND THE TRANSFEROR IS NOT AND HAS NOT BEEN AN AFFILIATE (AS DEFINED IN RULE 144) OF THE COMPANY DURING THE PRECEDING THREE MONTHS.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the initial purchasers.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____, _____

cc: Takeda Pharmaceutical Company Limited

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM REGULATION S GLOBAL
NOTE TO RULE 144A GLOBAL NOTE
(Transfers Pursuant to Section 2.6(f) of the Fiscal Agency Agreement)

MUFG Bank, Ltd.
as Fiscal Agent
Ropemaker Place, 25 Ropemaker Street,
London EC2Y 9AN

Re: Takeda Pharmaceutical Company Limited
[●% Senior Notes due ●][Senior Floating Rate Notes due ●]

Reference is hereby made to the Fiscal Agency Agreement dated as of November [21], 2018 (the “**Agreement**”) between Takeda Pharmaceutical Company Limited (the “**Company**”) and MUFG Bank, Ltd., as Fiscal Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Agreement.

This letter relates to €● principal amount of [●% Senior Notes due ●][Senior Floating Rate Notes due ●] which are evidenced by one or more Regulation S Global Notes (ISIN ●⁴³; Common Code ●⁴⁴) and held with Euroclear or Clearstream in the name of [insert name of transferor] (the “**Transferor**”). The Transferor has requested a transfer of such beneficial interest in Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Rule 144A Global Notes (ISIN ●⁴⁵; Common Code ●⁴⁶).

In connection with such request and in respect of such Notes, the Transferor hereby certifies that (i) such Notes are being transferred to a transferee that the Transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U. S. Securities Act of 1933, as amended, purchasing the Notes for its own account (or for the account of one or more qualified institutional buyers over which account the transferee exercises sole investment discretion), (ii) it has notified the transferee of the transfer restrictions applicable to the Notes and (iii) the transfer is in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction.

⁴³ XS1843449551 for the 2020 Notes; XS1843450054 for the 2020 Floating Rate Notes; XS1843449635 for the 2022 Notes; XS1843449478 for the 2022 Floating Rate Notes; XS1843448660 for the 2026 Notes; and XS1843448744 for the 2030 Notes.

⁴⁴ 184344955 for the 2020 Notes; 184345005 for the 2020 Floating Rate Notes; 184344963 for the 2022 Notes; 184344947 for the 2022 Floating Rate Notes; 184344866 for the 2026 Notes; and 184344874 for the 2030 Notes.

⁴⁵ XS1843449981 for the 2020 Notes; XS1843450138 for the 2020 Floating Rate Notes; XS1843449049 for the 2022 Notes; XS1843449809 for the 2022 Floating Rate Notes; XS1843449122 for the 2026 Notes; and XS1843449395 for the 2030 Notes.

⁴⁶ 184344998 for the 2020 Notes; 184345013 for the 2020 Floating Rate Notes; 184344904 for the 2022 Notes; 184344980 for the 2022 Floating Rate Notes; 184344912 for the 2026 Notes; and 184344939 for the 2030 Notes.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the initial purchasers, if any, of the Notes being transferred.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____, ____

cc: Takeda Pharmaceutical Company Limited

FORM OF OFFICER'S CERTIFICATE AS TO DEFAULT
(Pursuant to Section 9.4 of the Fiscal Agency Agreement)

[Date]

MUFG Bank, Ltd.
as Fiscal Agent
Ropemaker Place, 25 Ropemaker Street,
London EC2Y 9AN

Re: Takeda Pharmaceutical Company Limited
Senior Floating Rate Notes due [●]
Senior Floating Rate Notes due [●]
[●]% Senior Notes due [●]
[●]% Senior Notes due [●] (collectively, the "Notes")

Reference is hereby made to the Fiscal Agency Agreement dated as of November 21, 2018 (the "Agreement") between Takeda Pharmaceutical Company Limited (the "Company") and MUFG Bank, Ltd., as Fiscal Agent relating to the issuance of the Notes. Capitalized terms used but not defined herein shall have the meanings given to them in the Agreement.

I, [name], [title] of the Company, in such capacity, do hereby certify, pursuant to Section 9.4 of the Agreement, that to my knowledge as at [●], [the Company is in compliance with all conditions and covenants under the Agreement / the Company has not complied with its following obligation[s] under the Agreement]:

[insert details]

IN WITNESS WHEREOF, I have hereunto signed my name as of [●].

Takeda Pharmaceutical Company Limited

By: _____
Name:
Title:

TAKEDA PHARMACEUTICAL COMPANY LIMITED
The Company

MUFG UNION BANK, N.A.
Trustee

INDENTURE

Dated as of November 26, 2018

\$1,000,000,000 3.800% Senior Notes due 2020

\$1,250,000,000 4.000% Senior Notes due 2021

\$1,500,000,000 4.400% Senior Notes due 2023

\$1,750,000,000 5.000% Senior Notes due 2028

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CROSS REFERENCE SHEET

Cross-reference sheet of provisions of the Trust Indenture Act of 1939 and this Indenture:

Section of the Act	Section of Indenture
310(a)(1) and (2)	5.7
310(a)(3) and (4)	Inapplicable
310(a)(5)	Incorporated by Section 318(c)
310(b)	5.8
311(a), (b) and (c)	Incorporated by Section 318(c)
312(a)	6.1
312(b)	Incorporated by Section 318(c)
312(c)	Incorporated by Section 318(c)
313(a)	9.09
313(b)(1)	Inapplicable
313(b)(2)	Incorporated by Section 318(c)
313(c)	Incorporated by Section 318(c)
313(d)	Incorporated by Section 318(c)
314(a)	9.9, 9.11
314(b)	Inapplicable
314(c)(1) and (2)	1.2
314(c)(3)	Inapplicable
314(d)	Inapplicable
314(e)	1.2
315(a), (c) and (d)	5.1
315(b)	4.14
315(e)	4.15
316(a)(1)	4.12
316(a)(2)	Inapplicable
316(b)	4.8
316(c)	Incorporated by Section 318(c)
317(a)	4.3
317(b)	9.3
318(a)	1.18

Notes: This cross-reference sheet shall not, for any purpose, be deemed to be a part of this Indenture.

Attention should also be directed to Section 318(c) of the Trust Indenture Act (as defined in this Indenture), which provides that the provisions of Sections 310 to and including 317 of the Trust Indenture Act are a part of and govern every qualified indenture, whether or not physically contained therein. Sections designated in the cross-reference sheet above as “Incorporated by Section 318(c)” are not physically contained herein but are incorporated automatically by Section 318(c) of the Trust Indenture Act.

INDENTURE, dated as of November 26, 2018, between Takeda Pharmaceutical Company Limited, a joint-stock corporation (*kabushiki kaisha*) organized under the laws of Japan (the “**Company**”), and MUFG Union Bank, N.A., a national banking association organized under the laws of the United States, as trustee (the “**Trustee**”).

WITNESSETH

WHEREAS, the Company has duly authorized the issuance of its \$1,000,000,000 3.800% Senior Notes due 2020 (the “**2020 Notes**”), \$1,250,000,000 4.000% Senior Notes due 2021 (the “**2021 Notes**”), \$1,500,000,000 4.400% Senior Notes due 2023 (the “**2023 Notes**”) and \$1,750,000,000 5.000% Senior Notes due 2028 (the “**2028 Notes**” and, together with the 2020 Notes, the 2021 Notes and the 2023 Notes, the “**Notes**”) and to provide, among other things, for the execution, authentication, delivery and administration thereof, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make the Notes, when executed and delivered by the Company and authenticated and delivered as provided in this Indenture, the valid, binding and legal obligations of the Company, and to constitute these presents a valid indenture and agreement of the Company according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Notes by the holders thereof, the Company covenants and agrees for the equal and proportionate benefit of the respective holders of the Notes from time to time as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.1. *Definitions.*

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with International Financial Reporting Standards;
- (3) unless the context otherwise requires, any reference to an “Article” or a “Section” refers to an Article or a Section, as the case may be, of this Indenture;
- (4) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (5) all references, in any context, to any interest or other amount payable on or with respect to the Notes shall be deemed to include any additional obligations to pay interest on the Notes pursuant to the Registration Rights Agreement (as defined herein); and
- (6) the following expressions shall have the following meanings:

“**2021 Par Call Date**” has the meaning specified in Section 10.1.

“**2023 Par Call Date**” has the meaning specified in Section 10.1.

“**2028 Par Call Date**” has the meaning specified in Section 10.1.

“**Act**”, when used with respect to any Holder, has the meaning specified in Section 1.4.

“**Act on Special Taxation Measures**” has the meaning specified in Section 9.5.

“**Additional Amounts**” has the meaning specified in Section 9.5.

“**Additional Amounts Event**” has the meaning specified in Section 10.2.

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agent**” means any Notes Registrar or Paying Agent.

“**Applicable Procedures**” has the meaning specified in Section 2.6(e).

“**Authorized Officer**” means any person (whether designated by name or the person for the time being holding a designated office) appointed by or pursuant to a Board Resolution or otherwise for the purpose, or a particular purpose, of this Indenture, provided that written notice of such appointment shall have been given to the Trustee.

“**Board of Directors**” means the board of directors of the Company or any committee or member thereof duly authorized to act for it in respect hereof.

“**Board Resolution**” means a copy of a resolution or decision certified by an authorized Director or any other Authorized Officer of the Company to have been duly adopted or made by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York, London or Tokyo.

“**Clearstream**” means Clearstream Banking S.A.

“**Closing Date**” means November 26, 2018.

“**Commission**” means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“**Company**” means the Person named as the “Company” in the first paragraph of this instrument until a Successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Company**” shall mean such Successor Person.

“**Company Request**” or “**Company Order**” means a written request or order signed in the name of the Company by any of its Directors and/or Authorized Officers, and delivered to the Trustee.

“**Comparable Treasury Issue**” means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant Redemption Date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant Redemption Date to the Par Call Date.

“**Comparable Treasury Price**” means with respect to any Redemption Date, (1) the average of four Reference Treasury Dealer Quotations for such Redemption Date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such Redemption Date, the average of all quotations obtained.

“**Co-operation Agreement**” means the Co-operation Agreement, dated May 8, 2018, between the Company and Shire plc.

“**Corporate Trust Office**” means the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York at which at any particular time its corporate trust business shall be principally administered, which as at the date hereof is located at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time to the Holders and the Company).

“**Depository**” means, with respect to the Global Notes, a clearing agency registered under the Exchange Act that is designated to act as depository for such Notes.

“**Designated Financial Institution**” has the meaning specified in Section 9.5.

“**Director**” means any member of the Board of Directors.

“**DTC**” means The Depository Trust Company.

“**DTC Procedures**” means the procedures set out in the memorandum titled “Operating Manual—Japanese Withholding Tax on Certain International Issues Held Through DTC, Interim procedures to reflect changes in Japanese tax rules affecting international securities offerings by Japanese issuers on or after April 1, 2010, updated as of October 9, 2015” and prepared by the International Capital Market Association as may be amended or supplemented from time to time by notice from such association.

“**Euroclear**” means Euroclear Bank SA/NV.

“**Event of Default**” has the meaning specified in Section 4.1.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exchange Notes**” means the Notes issued in the Exchange Offer pursuant to Section 2.12 hereof.

“**Exchange Offer**” has the meaning set forth in the Registration Rights Agreement.

“**Exchange Offer Registration Statement**” has the meaning set forth in the Registration Rights Agreement.

“**Expiration Date**” has the meaning specified in Section 1.4.

“**Global Notes**” has the meaning specified in Section 2.1.

“**Holder**” means a Person in whose name a Note is registered in the Notes Register.

“**Incorporated Provision**” has the meaning specified in Section 1.18.

“**Indenture**” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

“**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Company.

“**Interest Payment Date**” means each May 26 and November 26 during the term of this Indenture.

“**Interest Recipient Information**” has the meaning specified in Section 9.5.

“**Judgment Currency**” has the meaning specified in Section 9.7.

“**Legends**” has the meaning specified in Section 2.6(a).

“**Letter of Transmittal**” means the letter of transmittal to be prepared by the Company and sent to all Holders of Notes for use by such Holders of Notes in connection with an Exchange Offer.

“**Lien**” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“**Long Stop Date**” means May 8, 2019, or such later date as may be agreed upon in accordance with the Co-Operation Agreement; provided, however, that any such later date shall not extend beyond May 8, 2020.

“**Note**” or “**Notes**” means any 2020 Notes, 2021 Notes, 2023 Notes or 2028 Notes (including any Exchange Notes issued in exchange therefor) authenticated and delivered under this Indenture.

“**Notes Register**” and “**Notes Registrar**” have the respective meanings specified in Section 2.4.

“**New York Business Day**” means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York.

“**Officer’s Certificate**” means a certificate signed by any Director or Authorized Officer of the Company and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act, if applicable, and include (except as otherwise expressly provided in this Indenture) the statements provided in Section 1.2, if applicable

“**Opinion of Counsel**” means a written opinion of counsel, who may be an employee of or counsel to the Company, or other counsel acceptable to the Trustee, in a form satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act, if applicable, and include the statements provided in Section 1.2, if and to the extent required thereby

“**Outstanding**”, when used with respect to any series of the Notes, means, as of the date of determination, all Notes of such series theretofore authenticated and delivered under this Indenture, *except*:

(1) Notes theretofore cancelled by the Notes Registrar or delivered to the Notes Registrar for cancellation;

(2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(3) Notes which have been paid pursuant to Section 2.7 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes of any series have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee or the Paying Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned or beneficially held which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee or the Paying Agent the pledgee’s right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

“**Owner Transferee**” has the meaning specified in Section 2.6(e).

“**Owner Transferor**” has the meaning specified in Section 2.6(e).

“**Participant**” has the meaning specified in Section 9.5.

“**Participant Transferee**” has the meaning specified in Section 2.6(e).

“**Participant Transferor**” has the meaning specified in Section 2.6(e).

“**Participants**” has the meaning specified in Section 2.5.

“**Participating Broker-Dealer**” has the meaning set forth in the Registration Rights Agreement.

“**Paying Agent**” means any Person authorized by the Company to pay the principal of or interest on any Notes (or Additional Amounts, if any) on behalf of the Company, which shall initially be MUFG Union Bank, N.A.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any branch, agency or political subdivision thereof.

“**Primary Treasury Dealer**” means a primary U.S. government securities dealer.

“**Principal Subsidiary**” means, with respect to any Person, any Subsidiary (i) whose revenue, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated revenue of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (ii) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

“**Public External Indebtedness**” means bonds, debentures, notes or other similar investment securities of the Company or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which are (a) either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the Company thereof; and (b) for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside Japan.

“**Record Date**” with respect to any Interest Payment Date shall have the meaning specified in the form of the Notes.

“**Redemption Date**” has the meaning specified in Section 10.5.

“**Reference Treasury Dealer**” means each of J.P. Morgan Securities LLC, Morgan Stanley MUFG Securities Co., Ltd., Mizuho Securities USA LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are Primary Treasury Dealers) and their respective successors, a Primary Treasury Dealer selected by SMBC Nikko Securities America, Inc. and two Primary Treasury Dealers selected by the Company; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

“**Reference Treasury Dealer Quotation**” means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York Business Day preceding the Redemption Date.

“**Registration Rights Agreement**” means (i) the Registration Rights Agreement dated as of the Closing Date between the Company and J.P. Morgan Securities LLC (“**J.P. Morgan**”), SMBC Nikko Securities America, Inc., Morgan Stanley MUFG Securities Co., Ltd., Mizuho Securities USA LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representatives, for themselves and as representative of the Initial Purchasers of the Notes.

“**Regulation S Global Note**” has the meaning specified in Section 2.1.

“**Regulation S Global Transferred Amount**” has the meaning specified in Section 2.6(f).

“**Required Currency**” has the meaning specified in Section 9.7.

“**Responsible Officer**” means, when used with respect to the Trustee, any officer within the Trustee’s corporate trust department with responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“**Rule 144A Global Note**” has the meaning specified in Section 2.1.

“**Rule 144A Global Transferred Amount**” has the meaning specified in Section 2.6(e).

“**Rule 144A Information**” has the meaning specified in Section 9.8.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Special Mandatory Redemption Date**” means the 20th day (or if such day is not a Business Day, the first Business Day thereafter) after the earliest to occur of (1) the Long Stop Date, if the Shire Acquisition has not been consummated on or prior to the Long Stop Date or (2) the date of public announcement by the Company that the Shire Acquisition will not be consummated.

“**Shelf Registration Statement**” means the Shelf Registration Statement as defined in the Registration Rights Agreement.

“**Shire Acquisition**” means the offer whereby the Company will acquire the entire issued and to be issued ordinary share capital of Shire plc, pursuant to the Co-operation Agreement.

“**specially-related person of the Company**” has the meaning specified in Section 9.5.

“**Subsidiary**” means, with respect to any Person, any entity which is controlled or of which more than 50% of its ownership interests are owned directly or indirectly by such Person.

“**Succession Event**” has the meaning specified in Section 7.1.

“**Successor Person**” has the meaning specified in Section 7.2.

“**Tax Documentation**” means any of certifications, claims for exemption, notifications or other documentation required under Japanese tax law for interest payments to be made without withholding or deduction for or on account of Japanese tax.

“**Taxes**” has the meaning specified in Section 9.5.

“**Transfer Restrictions**” has the meaning specified in Section 2.6(a).

“**Treasury Rate**” means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was originally executed; provided, however, that in the event that the Trust Indenture Act of 1939 is amended after such date, “Trust Indenture Act” means, to the extent required by any such amendment, the Trust Indenture Act of 1939, as so amended.

“**Trustee**” means the Person named as the “Trustee” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Trustee**” shall mean or include each Person who is then a Trustee hereunder.

“**United States**” means the United States of America.

“**Unrestricted Global Note**” has the meaning specified in Section 2.1.

“**Written Application for Tax Exemption**” has the meaning specified in Section 9.5.

SECTION 1.2. *Compliance Certificates and Opinions.*

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate and an Opinion of Counsel (provided, however, that at the time of issuance of the Notes, the Company shall furnish to the Trustee an Officer's Certificate) stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with. Each such certificate or opinion shall be given in the form of an Officer's Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (except for certificates provided for in Section 9.4) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3. *Form of Documents Delivered to Trustee.*

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.4. *Acts of Holders; Record Dates.*

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed

in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.4.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of Notes shall be proved by the Notes Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Notes entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Notes, *provided* that the Company may not set a record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Notes at the close of business on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; *provided* that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Notes on such record date. Nothing in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Notes on the date such action is taken based on such record date previously set. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Notes in the manner set forth in Section 1.6.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Notes entitled to join in the giving or making of (i) any declaration of acceleration referred to in Section 4.2, (ii) any request to institute proceedings referred to in Section 4.7 or (iii) any direction referred to in Section 4.12. If any record date is set pursuant to this paragraph, the Holders of Outstanding Notes at the close of business on such record date, and no other Holders, shall be entitled to join in such declaration, request or direction, whether or not such Holders remain Holders after such record date; *provided* that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Notes on such record date. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set

pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), *provided*, however, that nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Notes on the date such action is taken based on such record date previously set. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Notes in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section 1.4, the party hereto which sets such record dates may designate any day as the "**Expiration Date**" and from time to time may change the Expiration Date to any earlier or later day; *provided* that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other parties hereto in writing, and to each Holder of Notes in the manner set forth in Section 1.6, on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section 1.4, the party hereto which set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Note may do so with regard to all or any part of the principal amount of such Note or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount of such Note.

SECTION 1.5. *Notices, Etc., to Trustee and the Company.*

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Company at its address at 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance; or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.6. *Notice to Holders; Waiver.*

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or emailed, in PDF format, to each Holder affected by such event, at his address as it appears in the Notes Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail or email, neither the failure to mail or email such notice, nor any defect in any notice so mailed or emailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 1.7. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.8. *Successors and Assigns.*

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.9. *Separability Clause.*

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.10. *Benefits of Indenture.*

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11. *Governing Law.*

This Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 1.12. *Consent to Jurisdiction; Waiver of Immunities.*

(a) The Company hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New York State or the federal courts of the United States located in the Borough of Manhattan, The City of New York over any suit, action or proceeding arising out of or relating to this Indenture or any Note. The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, it irrevocably waives such immunity in respect of its obligations hereunder or under any Note. The Company agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Company and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Company is subject by a suit upon such judgment or in any manner provided by law, provided that service of process is effected upon the Company in the manner specified in the following paragraph or as otherwise permitted by law.

(b) As long as any of the Notes remain Outstanding, the Company will at all times have an authorized agent in The City of New York upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture or any Note. Service of process upon such agent and written notice of such service mailed or delivered to the Company shall to the fullest extent permitted by law be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company has appointed Cogency Global Inc. as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the offices of such agent. Cogency Global Inc. has

accepted such appointment as agent for service of process. Notwithstanding the foregoing, the Company may, with prior written notice to the Trustee, terminate the appointment of such agent and appoint another agent for the above purposes so that the Company shall at all times have an agent for the above purposes in The City of New York.

(c) The Company hereby irrevocably waives, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any suit, action or proceeding (including appeals) arising out of or relating to this Indenture or any Note, the posting of any bond or the furnishing, directly or indirectly, of any other security.

SECTION 1.13. *Waiver of Jury Trial.*

EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

SECTION 1.14. *Payments Due on Non-Business Days.*

In any case in which any Interest Payment Date falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no additional interest shall accrue with respect to such payment for the period after such date.

SECTION 1.15. *Communications by Holders with Other Holders.*

Within five Business Days of receipt of a written application by a Holder stating that such Holder desires to communicate with other Holders of Notes, the Trustee, provided it has received a copy of the form of proxy or other communication which such applying Holder proposes to transmit and proof reasonably satisfactory to the Trustee that such Holder has owned Notes for a period of at least six months prior to such request, shall either (i) afford the applying Holder access to the requested information or (ii) transmit copies of the communication prepared by the applying Holder to the registered Holders at the expense of such applying Holder.

SECTION 1.16. *English Language.*

All certificates, opinions, notices, consents, requests or other documents or instruments delivered pursuant hereto shall be in the English language.

SECTION 1.17. *Counterparts*

This Indenture may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture and signature pages for all purposes.

SECTION 1.18. *Conflict with any Provision of Indenture with Trust Indenture Act*

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture by operation of Sections 310 to and including 317 of the Trust Indenture Act (an “**Incorporated Provision**”), such Incorporated Provision shall control.

ARTICLE II

THE SECURITIES

SECTION 2.1. *Forms.*

Upon the execution and delivery of this Indenture, the:

- 3.800% Senior Notes due 2020 in an aggregate principal amount of \$1,000,000,000
- 4.000% Senior Notes due 2021 in an aggregate principal amount of \$1,250,000,000,
- 4.400% Senior Notes due 2023 in an aggregate principal amount of \$1,500,000,000 and
- 5.000% Senior Notes due 2028 in an aggregate principal amount of \$1,750,000,000

may be executed and delivered by the Company to the Trustee for authentication, accompanied by a Company Order directing such authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order) signed by an Authorized Officer of the Company. The Trustee shall authenticate the Exchange Notes at any time from time to time. Notwithstanding the foregoing, the Company, pursuant to a Board Resolution, may from time to time, without the consent of Holders of Notes, create and issue further notes having the same terms and conditions as the Notes of a series in all respects, except for the issue date, issue price and first Interest Payment Date thereon. Additional notes issued in this manner may be consolidated with and form a single series with the previously outstanding Notes of the relevant series; *provided* that if any additional notes are not fungible with the Notes of the relevant series for U.S. federal income tax purposes, such additional notes will be issued as a separate series under this Indenture and will have a separate “CUSIP” or similar identifying number from the Notes of the relevant series.

The Notes shall be issuable only in fully registered form without interest coupons in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. Notes issued in accordance with Rule 144A of the Securities Act shall initially be issued in the form of one or more global notes in the form of Exhibit A-1 hereto (each, a “**Rule 144A Global Note**”) and Notes issued in accordance with Regulation S of the Securities Act shall initially be issued in the form of one or more global notes in the form of Exhibit A-2 hereto (each, a “**Regulation S Global Note**”). Rule 144A Global Notes and Regulation S Global Notes exchanged for Exchange Notes pursuant to Section 2.12 shall be in the form of one or more global notes in the form of Exhibit A-3 hereto (each an “**Unrestricted Global Note**”, and, collectively with the Rule 144A Global Notes and the Regulation S Global Notes, the “**Global Notes**”). Interests in any Global Note will be exchangeable for definitive Notes in registered form only under the circumstances set forth herein.

The Notes may have such additional provisions, omissions, variations or substitutions as are not inconsistent with the provisions of this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with any law or with any rules made pursuant thereto or with the rules of any securities exchange, any governmental agency or the Depository or as may, consistently herewith, be determined by the officers of the Company executing such Notes, as evidenced by their execution thereof. All Notes shall be substantially identical except as to denomination and as provided herein.

The Notes shall be executed on behalf of the Company by any Representative Director of the Company. The signature of any Representative Director of the Company on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at the time of issuance of such Notes the proper Representative Director of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices thereafter.

The definitive Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the Representative

Director of the Company executing such Notes, as evidenced by their execution thereof. Until definitive Notes shall have been prepared, the Company may execute, and upon the written order of the Company, the Trustee shall authenticate and deliver, in accordance with the provisions of this Indenture (in lieu of definitive Notes), temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, substantially of the tenor referred to above. Such temporary Notes shall be subject to the same limitations and conditions and entitled to the same rights and benefits as definitive Notes, except as provided herein or therein. If temporary Notes are issued, the Company shall promptly cause definitive Notes to be prepared. Temporary Notes shall be exchangeable at the principal office of the Trustee in The City of New York (or at such other office in The City of New York as shall be specified in the text of such temporary Notes) for definitive Notes when the latter shall be ready for delivery; and upon the surrender for exchange at said office of such temporary Notes, the Company, at its own expense, shall execute, and the Trustee is authorized to authenticate and deliver, in accordance with the provisions of Section 2.2 of this Indenture, in exchange for such temporary Notes a like aggregate principal amount of definitive Notes of the appropriate form and denomination. Temporary Notes shall be appropriately legended.

SECTION 2.2. Certificate of Authentication.

Only such Notes as shall bear thereon a certificate of authentication substantially as set forth in the Form of Note in Exhibit A-1, A-2 or A-3 hereto, as applicable, executed by the Trustee by manual signature of one of its Responsible Officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certification by the Trustee upon any Note executed by or on behalf of the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder thereof is entitled to the benefits of this Indenture.

SECTION 2.3. Issue and Delivery of Notes.

The Company has, by a purchase agreement dated November 19, 2018 among the Company and J.P. Morgan Securities LLC, SMBC Nikko Securities America, Inc., Morgan Stanley MUFG Securities Co., Ltd., Mizuho Securities USA LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representatives (the “**Representatives**”) of the initial purchasers named therein (the “**Initial Purchasers**”), agreed to issue

- \$1,000,000,000 aggregate principal amount of 3.800% Senior Notes due 2020,
- \$1,250,000,000 aggregate principal amount of 4.000% Senior Notes due 2021,
- \$1,500,000,000 aggregate principal amount of 4.400% Senior Notes due 2023 and
- \$1,750,000,000 aggregate principal amount of 5.000% Senior Notes due 2028.

The aggregate principal amount of the Rule 144A Global Notes and the Regulation S Global Notes issued on the Closing Date shall be \$5,500,000,000. The principal amount of any Rule 144A Global Note and any Regulation S Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as provided in Section 2.6. The Global Notes will be dated November 26, 2018.

The Company initially shall execute and deliver the applicable Global Notes to the Trustee, and the Trustee shall, upon the order of the Company as provided in Section 2.1, authenticate the Global Notes and deliver them upon the order of the Company on or about November 26, 2018 to a custodian for DTC, for credit to the respective accounts of the Initial Purchasers (or to such other accounts as the Representatives, on behalf of the Initial Purchasers, may direct).

SECTION 2.4. *Registrar, Registration of Transfer and Exchange.*

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency of the Company herein sometimes collectively referred to as the “**Notes Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. The Trustee is hereby appointed “**Notes Registrar**” for the purpose of registering Notes and transfers of such Notes as herein provided. The Company may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts; provided, however, that there shall at all times be a transfer agent in the Borough of Manhattan, The City of New York. There shall be only one Notes Registrar. The Notes Register will show the amount of the Notes, the date of issue, all subsequent transfers and changes of ownership in respect thereof and the names, tax identifying numbers (if relevant to a specific holder), addresses of the holders of the Notes and any payment instructions with respect thereto (if different from a holder’s registered address). The Trustee will also maintain a record which will include notations as to whether the Notes have been paid or cancelled, and, in the case of mutilated, destroyed, stolen or lost Notes, whether such Notes have been replaced. In the case of the replacement of any of the Notes, such records will include notations of each Note so replaced, and the Note issued in replacement thereof. In the case of the cancellation of any of the Notes, such records will include notations of each Note so cancelled and the date on which such Note was cancelled. The Trustee shall upon written request make the Notes Register and such records available, during normal office hours and on reasonable written notice, to the Company, or any Person authorized by the Company in writing, for inspection and for the taking of copies thereof or extracts therefrom, and, at the expense of the Company, the Trustee shall deliver to such Persons all lists of Holders of Notes, their addresses and amounts of such holdings as they may request.

Except as otherwise specifically provided herein, (i) all references in this Indenture to the Trustee shall be deemed to refer to the Trustee in its capacity as Trustee and Notes Registrar and (ii) every provision of this Indenture relating to the conduct, rights or privileges of the Trustee or affecting the liability or offering protection, immunity or indemnity to the Trustee shall be deemed to apply with the same force and effect to the Trustee acting in its capacities as Notes Registrar and Paying Agent and to each agent of the Trustee employed to act hereunder.

Subject to this Section 2.4, Section 2.5 and Section 2.6, at the option of the Holder, Notes may be presented for exchange for other Notes, of any authorized denominations and of like tenor and aggregate principal amount or for registration of transfer by the Holder thereof or his attorney duly authorized in writing and with the form of transfer thereon duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed, at the office of the Trustee or at the office of any transfer agent designated by the Company for such purpose. Whenever any Notes are so surrendered for exchange, the Company shall execute and the Trustee shall authenticate and deliver the Notes which the Holder making the exchange is entitled to receive.

A beneficial interest in any Rule 144A Global Note or Regulation S Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of this Section 2.4, and if:

(a) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Participating Broker-Dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of any Company;

(b) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement; or

(c) such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement.

If any such transfer is effected pursuant to subparagraph (a), (b) or (c) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Officer's Certificate from the Company in accordance with Section 1.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (a), (b) or (c) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Rule 144A Global Note or Regulation S Global Note.

Upon surrender for registration of transfer of any Note at the office or agency of the Company, the Company shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes, of any authorized denominations and of like tenor and aggregate principal amount.

All Notes issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Notes, but the Company may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Notes.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.5. *Global Notes.*

Each Global Note authenticated under this Indenture shall be registered in the name of the Depository designated for such Global Note or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Note shall constitute a single Note for all purposes of this Indenture.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with the Depository ("**Participants**") or persons who hold interests through such Participants. Upon the issuance of a Global Note, the Depository or its custodian shall credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of its Participants. Ownership of beneficial interests in a Global Note shall be shown only on, and the transfer of such ownership interests shall be effected only through, records maintained by the Depository or its nominee (with respect to interests of Participants) or by any such Participant (with respect to interests of persons held by such Participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a

Global Note may be subject to various policies and procedures adopted by the Depositary from time to time. None of the Company, the Trustee or any of their respective agents shall have any responsibility or liability for any aspect of the Depositary's or any Participant's records, policies or procedures relating to, or for payments made on account of, beneficial interests in a Global Note or for any other aspect of the relationship between the Depositary and its Participants, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Notwithstanding any provision of this Indenture or any Note to the contrary, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any Person other than the Depositary or its nominee unless (i) the Depositary notifies the Company that the Depositary is unwilling or unable to continue as depositary for a Global Note or has ceased to be qualified to act as such as required by this Indenture and the Company does not appoint a successor Depositary within 90 days after the Company receives such notice or becomes aware of such non-qualification or (ii) there shall have occurred and be continuing an Event of Default with respect to the Notes. All definitive Notes issued in exchange for a Global Note or any portion thereof shall be registered in such names as the Depositary shall direct. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in a Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8, the right of such owner to pursue such remedy with respect to the portion of the Global Note that represents such owner's Notes as if such definitive Notes had been issued.

Except in the circumstances referred to in the preceding paragraph, as long as the Depositary, or its nominee, is the registered Holder of a Global Note, the Depositary or such nominee, as the case may be, shall be considered the sole owner and Holder of such Global Note (and of the Notes represented thereby) for all purposes under this Indenture and the Notes. Except in the circumstances referred to in the preceding paragraph, owners of beneficial interests in a Global Note shall not be entitled to have such Global Note or any Notes represented thereby registered in their names, shall not receive or be entitled to receive physical delivery of definitive Notes in exchange therefor and shall not be considered the owners or Holders of such Global Note (or any Notes represented thereby) for any purpose under this Indenture or the Notes. In addition, no beneficial owner of an interest in a Global Note shall be able to transfer that interest except in accordance with the Depositary's applicable procedures (in addition to those under this Indenture referred to herein and, if applicable, those of Euroclear and Clearstream). All payments of interest on, principal of, or Additional Amounts on, a Global Note shall be made to or to the order of the Depositary or its nominee, as the case may be, as the Holder thereof.

Every Note authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Note or any portion thereof, whether pursuant to this Section 2.5, Section 2.6, Section 2.7 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Note, unless such Note is registered in the name of a Person other than the Depositary for such Global Note or a nominee thereof.

Neither the Trustee nor any Agent shall have any responsibility or liability for any actions taken or not taken by the Depositary.

SECTION 2.6. *Transfer Restrictions.*

(a) The Global Notes shall be subject to the restrictions on transfers (the "**Transfer Restrictions**") provided in the applicable legends (the "**Legends**") required to be set forth on the face of each Global Note as provided in Exhibits A-1 and A-2 hereto, and each Holder of a Global Note and each owner of a beneficial interest in a Global Note, by its acceptance thereof, agrees to be bound by and comply with the Transfer Restrictions, in each case unless compliance with the Transfer Restrictions shall be waived by the Company in writing delivered to the Trustee.

(b) The Transfer Restrictions shall cease and terminate with respect to any particular Global Note upon receipt by the Company of evidence satisfactory to it (which may include an opinion of

independent counsel experienced in matters of United States federal securities law) that, as of the date of determination, such Global Note (a) has been sold pursuant to an effective registration statement under the Securities Act or (b) has been transferred (i) in a transaction satisfying all the requirements of Rule 903 or 904 (as applicable) of Regulation S under the Securities Act or (ii) pursuant to Rule 144 under the Securities Act. All references in the preceding sentence to any regulation, rule or provision thereof shall be deemed also to refer to any successor provisions thereof.

(c) At the request of the Holder and upon the surrender of such Global Note to the Trustee for exchange in accordance with the provisions of this Section 2.6, any Global Note as to which the Transfer Restrictions shall have terminated in accordance with the preceding paragraph shall be exchanged for a new Note, of like tenor and aggregate principal amount, but without the Legends.

(d) As used in this Section 2.6, the term “transfer” encompasses any sale, pledge, transfer or other disposition of any Notes referred to herein.

(e) Rule 144A Global Note to Regulation S Global Note. If the owner of a beneficial interest (an “**Owner Transferor**”) in a Rule 144A Global Note wishes at any time to transfer such beneficial interest to a Person (an “**Owner Transferee**”) who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this paragraph (e). “**Applicable Procedures**” means, with respect to any transfer of a beneficial interest in a Global Note, the rules and procedures of DTC, Euroclear and Clearstream to the extent the same are applicable to such transfer and shall be complied with by any Holder or any party which has a beneficial interest in a Global Note; provided, however, the Trustee shall not be responsible for determining any compliance with such rules and procedures. Upon receipt by the Trustee of (1) written instructions given in accordance with the Applicable Procedures from a Participant whose account is to be debited (a “**Participant Transferor**”) with respect to the Rule 144A Global Note directing the Trustee to credit or cause to be credited to a specified account of another Participant (a “**Participant Transferee**”) a beneficial interest in a Regulation S Global Note in a principal amount equal to that of the beneficial interest in the Rule 144A Global Note to be so transferred (the “**Rule 144A Global Transferred Amount**”), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Participant Transferee to be credited with, and the account of the Participant Transferor to be debited for, the Rule 144A Global Transferred Amount and (3) a certificate in substantially the form set forth in Exhibit B hereto given by the Owner Transferor stating that the transfer has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, the Trustee shall instruct DTC to reduce the principal amount of the Rule 144A Global Note, and to increase the principal amount of the Regulation S Global Note, by the Rule 144A Global Transferred Amount, and to credit or cause to be credited to the account of the Participant Transferee a beneficial interest in the Regulation S Global Note, and to debit or cause to be debited to the account of the Participant Transferor a beneficial interest in the Rule 144A Global Note, in each case having a principal amount equal to the Rule 144A Global Transferred Amount.

(f) Regulation S Global Note to Rule 144A Global Note. If an Owner Transferor wishes at any time to transfer a beneficial interest in a Regulation S Global Note to an Owner Transferee who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.6(f). Upon receipt by the Trustee of (1) written instructions given in accordance with the Applicable Procedures from the Participant Transferor, directing the Trustee to credit or cause to be credited to a specified account of a Participant Transferee a beneficial interest in a Rule 144A Global Note in a principal amount equal to that of the beneficial interest in the Regulation S Global Note to be so transferred (the “**Regulation S Global Transferred Amount**”), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Participant Transferee to be credited with, and the account of the Participant Transferor to be debited for, the Regulation S Global Amount, and (3) if the transfer is prior to or on the 40th day after the later of the commencement of the offering of the Notes and the issue date of the Notes, a certificate in substantially the

form set forth in Exhibit C hereto given by the Owner Transferor stating (A) that the Person transferring such interest in a Regulation S Global Note (i) reasonably believes that the Person acquiring such interest in a Rule 144A Global Note is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) has notified such Person of the transfer restrictions applicable to the Global Notes, and (B) the transfer is in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction, the Trustee shall instruct DTC to reduce the principal amount of the Regulation S Global Note, and to increase the principal amount of the Rule 144A Global Note, by the Regulation S Global Transferred Amount, and to credit or cause to be credited to the account of the Participant Transferee a beneficial interest in the Rule 144A Global Note, and to debit or cause to be debited to the account of the Participant Transferor a beneficial interest in the Regulation S Global Note, in each case having a principal amount equal to the Regulation S Global Transferred Amount.

SECTION 2.7. *Mutilated, Destroyed, Lost and Stolen Notes.*

If any mutilated Note is surrendered to the Trustee, the Company shall execute, and the Trustee shall authenticate and deliver in exchange therefor, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) indemnity satisfactory to them to save each of them and any of their agents harmless, from any losses or claims incurred in connection with the issuance of a new Note, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.7 in exchange for any mutilated Note or in lieu of any destroyed, lost or stolen Note shall constitute an original contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.7 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 2.8. *Persons Deemed Owners.*

Prior to due presentment of a Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of and any interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary. In considering the interests of the Holders of Notes while title to the Notes is registered in the name of a nominee of the Depositary, the Trustee may refer to any information made available to it by the Depositary as to the identity (either individually or by

category) of its Participants or persons who hold interests through such Participants with entitlements to Notes and may consider such interests as if such accountholders were the Holders of the Notes. For the purposes of enforcement of the provisions of this Indenture against the Trustee, the persons named in a certificate of the Holder of any Global Note in respect of which a global certificate is issued shall be recognized as the beneficiaries of this Indenture, to the extent of the principal amounts of their interests in the Notes set out in the certificate of the Holder, as if they were themselves the Holders of the Notes in such principal amounts.

SECTION 2.9. *Cancellation.*

All Notes surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Notes previously authenticated hereunder which the Company has not issued and sold, and all Notes so delivered shall be promptly canceled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.9, except as expressly permitted by this Indenture. All canceled Notes (and all Notes paid in full at final maturity thereof) held by the Trustee shall be disposed of in accordance with the Trustee's customary practices.

SECTION 2.10. *Japanese Withholding Taxes.*

(a) In compliance with Japanese tax laws and the practices of tax authorities in Japan, in respect of any interest payment on the Notes issued in global or book-entry form pursuant to this Indenture or any supplemental indenture hereto, any Paying Agent shall act in accordance with the procedures and forms set out in the DTC Procedures if DTC is acting as clearing organization with respect to the Notes or with respect to depository interests representing such Notes, or in accordance with such other similar procedures as may be established by another clearing organization. Except as otherwise provided in this Indenture, any such Paying Agent shall be responsible only for performing such services as are specifically provided for in the DTC Procedures or such other procedures actually known by the Paying Agent, as applicable and as may be amended or modified and communicated to the Paying Agent from time to time. Any such Paying Agent and the Company may rely on the information provided in the claim for exemption from Japanese withholding taxes and other documentation in the absence of actual knowledge to the contrary. If any interest payment on a Note is due to be made hereunder, and if and so long as payments of interest (if any) by the Company to any Paying Agent may be made without withholding or deduction for or on account of Japanese tax only upon receipt of Tax Documentation, the relevant Paying Agent at the direction of the Company, shall (i) accept delivery of the required Tax Documentation from the clearing organization (or Holders of the Notes, if definitive Notes have been issued); (ii) provide to the Company any required confirmations of information available to it; and (iii) deliver such Tax Documentation to, or on the written order of, the Company via facsimile no later than two Business Days after the Paying Agent has received such Tax Documentation, followed by first class mail or express courier at the address stipulated in Section 1.5, for filing with the relevant Japanese district tax office. Any such Paying Agent may rely on the information provided in Tax Documentation (including, where relevant, supporting documentation) in the absence of actual knowledge that such information is incorrect.

(b) If a Holder of the Notes or the holder of a depository interest representing the Notes satisfies the requirements for claiming an exemption from Japanese withholding tax after the date on which an amount in respect of such tax is withheld and before the date on which the tax is actually paid to the Japanese tax authorities, then the Company or the Paying Agent acting at the direction of the Company may, to the extent reasonably practicable, repay the amount withheld (after deduction of reasonable costs, including amounts in respect of changes in foreign exchange rates) to the Holder.

SECTION 2.11. *Japanese Withholding Tax Legend.*

Each Global Note and each definitive Note issued for exchange for a beneficial interest in the Global Note shall bear the following legend relating to Japanese withholding tax:

“INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.”

SECTION 2.12. *Exchange Offer.*

Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of an authentication order in the form of an Officer’s Certificate of the Company in accordance with Section 1.2 hereof, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount specified by the Company of the beneficial interests in the Rule 144A Global Notes or the Regulation S Global Notes of the same series tendered for acceptance by Persons that certify in the applicable Letters of Transmittal that (x) they are not Participating Broker-Dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer and (ii) unrestricted definitive Notes in an aggregate principal amount equal to the principal amount of the definitive Notes of the same series tendered for acceptance by Persons that certify in the applicable Letters of Transmittal that (x) they are not Participating Broker-Dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer, and make any other representations that are necessary for the Company to comply with applicable laws and regulations, including the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, or that are necessary for the Exchange Notes to qualify for an exemption from Japanese withholding tax. Concurrently with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Rule 144A Global Note and Regulation S Global Note to be reduced accordingly, and the Company shall execute and the Trustee shall authenticate and mail to the Persons designated by the Holders of definitive Notes so accepted unrestricted definitive Notes in the applicable principal amount. Any Notes that

remain outstanding after the consummation of the Exchange Offer, and Exchange Notes issued in connection with the Exchange Offer, shall be treated as a single class of securities under this Indenture.

ARTICLE III

SATISFACTION AND DISCHARGE

SECTION 3.1. *Satisfaction and Discharge of Indenture.*

The Company may terminate all of its obligations under this Indenture (except as to any surviving rights of registration of transfer or exchange of Notes herein expressly provided for), and the Trustee, at the expense of the Company, shall execute instruments in form and substance satisfactory to the Trustee and the Company acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Notes theretofore authenticated and delivered (other than Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.7) have been delivered to the Trustee for cancellation; or

(B) all such Notes not theretofore delivered to the Trustee for cancellation

(i) have become due and payable,

(ii) will become due and payable at their maturity date within one year, or

(iii) are to be called for redemption pursuant to Section 10.1, Section 10.2, Section 10.3, Section 10.4 or Section 10.5 within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose money in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid or made provision satisfactory to the Trustee for the payment of all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 4.6, Section 5.6 and Section 9.3, any obligations of the Trustee under Section 3.2 and any rights of registration of transfer, exchange or replacement of Notes provided in Section 2.4, Section 2.5, Section 2.6, Section 2.7, or Section 9.2 and any rights to Additional Amounts pursuant to Section 9.5 shall survive such satisfaction and discharge.

SECTION 3.2. *Application of Trust Money.*

All money deposited with the Trustee pursuant to Section 3.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Persons entitled thereto, of the principal and any interest (or Additional Amounts, if any) for whose payment such money has been deposited with the Trustee.

ARTICLE IV

REMEDIES OF THE TRUSTEE AND HOLDERS ON EVENT OF DEFAULT

SECTION 4.1. *Event of Default.* Unless otherwise established hereunder or by any applicable supplemental indenture, an “**Event of Default**” with respect to the Notes shall mean any one of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

1. default shall be made for more than seven days in the payment of principal or for more than 30 days in the payment of interest, or additional interest, if any, in respect of any of the Notes; or
2. the Company defaults in the performance or observance of any covenant, condition or provision contained in the Notes or in this Indenture for a period of 60 days after written notification requesting such default to be remedied by the Company shall first have been given to the Company (and to the Trustee in the case of notice by the Holders referred to below) by the Trustee or Holders of at least 25% in principal amount of the then Outstanding Notes (such notification must specify the Event of Default, demand that it be remedied and state that the notification is a “Notice of Default” hereunder); or
3. the Company shall have become bound as a consequence of a default by it in its obligations in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least \$50,000,000 (or its equivalent in any other currency or currencies) contracted or incurred by it prematurely to repay the same, or the Company shall have defaulted in the repayment of any such indebtedness contracted or incurred by it at the later of the maturity thereof or the expiration of any applicable grace period therefor, or the Company shall have failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by it of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that, prior to any judgment, if any such default under such indebtedness shall be cured by the Company, or be waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then the Event of Default hereunder by reason of such default shall be deemed likewise to have been thereupon cured or waived; or
4. a final and non-appealable order of a court of competent jurisdiction shall be made or an effective resolution of the Company shall be passed for the winding-up or dissolution of the Company except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations of the Company under this Indenture in relation to the Notes; or
5. an encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of the Company, of all or substantially all of its assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days; or

6. the Company shall stop payment (within the meaning of the bankruptcy law of Japan) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction as is referred to in paragraph 4 above) shall cease to carry on business or shall be unable to pay its debts generally as and when they fall due; or
7. a decree or order by any court having jurisdiction shall have been issued adjudging the Company bankrupt or insolvent, or approving a petition seeking with respect to the Company reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
8. the Company shall initiate or consent to proceedings relating to itself under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, its creditors generally.

SECTION 4.2. *Acceleration of Maturity; Rescission and Annulment.* If an Event of Default with respect to the Notes occurs and is continuing, then in every such case (other than an Event of Default specified in Section 4.1(7) or Section 4.1(8)) the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes of each affected series may declare the principal amount of all the Notes of such affected series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount together with all accrued and unpaid interest, and additional interest, if any, shall become immediately due and payable.

Notwithstanding the foregoing, in the case of an Event of Default arising under Section 4.1(7) or Section 4.1(8) with respect to the Company, the principal of and interest on all outstanding notes will become immediately due and payable without further action or notice. In addition, the Trustee shall have no obligation to accelerate the Notes if, in the reasonable judgment of the trustee, acceleration is not in the best interest of the holders.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

- (1) the Company has paid or deposited with the Trustee a sum sufficient to pay
 - (A) all overdue interest on all Notes,
 - (B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Notes,
 - (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Notes, and
 - (D) all sums paid or advanced by the Trustee hereunder and the compensation and the reasonable expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (2) all Events of Default with respect to Notes, other than the non-payment of the principal of Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 4.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 4.3. *Collection of Indebtedness and Suits for Enforcement by Trustee.* The Company covenants that if

- (1) default is made in the payment of any interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or
- (2) default is made in the payment of the principal of (or premium, if any, on) any Note at the maturity thereof and such default continues for a period of seven days,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Notes, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the compensation and the reasonable expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to the Notes occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 4.4. *Trustee May File Proofs of Claim.*

In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company upon the Notes and collect in the manner provided by law out of the property of the Company, wherever situated, the monies adjudged or decreed to be payable. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the compensation and the reasonable expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 5.6.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; *provided, however*, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 4.5. *Trustee May Enforce Claims Without Possession of Notes.*

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 4.6. *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 5.6; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Notes (including Additional Amounts, if any) in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for principal and interest, respectively.

SECTION 4.7. *Limitation on Suits.*

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any Additional Amounts, if applicable), any Notes after the applicable due date specified in the Notes, no Holder of any Note shall have any right to institute any proceeding with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default; (b) the Holders of not less than 25% in aggregate principal amount of the Notes of each affected series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; (c) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Notes of each affected series.

No one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 4.8. *Right of Holders to Receive Principal and Interest.*

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment of the principal of, and interest on, such Note on or after the respective due dates expressed in such Note (or, in the case of redemption, on the Redemption Date), or to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 4.9. *Restoration of Rights and Remedies.*

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 4.10. *Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.7 and as provided in Section 4.7, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 4.11. *Delay or Omission Not Waiver.*

No delay or omission of the Trustee or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default or otherwise shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 4.12. *Control by Holders.*

The Holders of a majority in principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, *provided* that

- (1) such direction shall not be in conflict with any rule of law or with this Indenture,
- (2) the action so directed would not be unjustly prejudicial to the Holders not taking part in such direction or would involve the Trustee in personal liability,
- (3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and
- (4) the Trustee shall not be advised by counsel that the action or proceeding so directed may not lawfully be taken, and

provided further that the Trustee shall be under no obligation to determine whether any such direction shall be in such conflict or so unjustly prejudicial to the Holders not taking part in such direction.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction by Holders of Notes.

SECTION 4.13. *Waiver of Past Defaults.*

The Holders of not less than a majority in aggregate principal amount of the Outstanding Notes of the relevant series may, on behalf of the Holders of all the Notes of such series, waive any past default hereunder, except a default

- (1) in the payment of the principal of or interest on any Note or any Additional Amounts payable in respect thereof, or
- (2) in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Note affected thereby.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose under this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 4.14. *Trustee to Give Notice of Default.*

The Trustee shall give to the Holders, in the case of Notes registered in the Notes Register as the names and addresses of such Holders appear on the Notes Register, notice by mail (or by other means provided in a supplemental indenture hereto, pursuant to a Board Resolution and set forth in an Officer's Certificate under which the Notes are issued or in the form of the Notes) of all defaults known to the Trustee which have occurred with respect to the Notes, such notice to be transmitted within 90 days after the occurrence thereof, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purposes of this Section 4.14 being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default).

SECTION 4.15. *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees and expenses, against any such party litigant; *provided* that no court shall require such an undertaking or to make such an assessment in any suit instituted by the Company, the Trustee or any Holder or group of Holders holding in aggregate more than 10% in aggregate principal amount of the Outstanding Notes of a series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Outstanding Note on or after the due date expressed in such Note.

SECTION 4.16. *Waiver of Stay or Extension Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE V

THE TRUSTEE

SECTION 5.1. *Certain Duties and Responsibilities.*

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations stated therein).

(b) In case an Event of Default has occurred and is continuing with respect to the Notes, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of

care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, *except* that

(1) this paragraph (c) shall not be construed to limit the effect of paragraph (a) of this Section 5.1;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken, or omitted to be taken by it, in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture with respect to the Notes;

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and

(5) The provisions of this Section 5.1 are in furtherance of and subject to Sections 315 and 316 of the Trust Indenture Act.

SECTION 5.2. *Certain Rights of Trustee.*

In furtherance of and subject to the Trust Indenture Act and subject to Section 5.1:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(4) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney, it being understood that all reasonable expenses incurred in connection with such inquiry or investigation shall be borne by the Company and the Trustee shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(8) the Trustee shall not be deemed to have or charged with knowledge of any default or Event of Default unless (a) a Responsible Officer of the Trustee shall have actual knowledge of such default or Event of Default or (b) written notice of such default or Event of Default shall have been given to a Responsible Officer of the Trustee by the Company or by any Holder of such Notes, and such notice references this Indenture and the Notes;

(9) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(10) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(11) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(12) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

SECTION 5.3. *Not Responsible for Recitals or Issuance of Notes.*

The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee does not assume any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of the Notes or the proceeds thereof.

SECTION 5.4. *May Hold Notes.*

The Trustee, any Paying Agent, the Notes Registrar or any other agent of the Trustee or the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Notes Registrar or such other agent.

SECTION 5.5. *Money Held in Trust.*

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 5.6. *Compensation and Reimbursement.*

The Company agrees

(1) to pay to the Trustee from time to time such compensation for all services rendered by it hereunder in such amounts as shall have been agreed upon in writing by the Company and the Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence, bad faith or willful misconduct; and

(3) to indemnify the Trustee for, and to defend and hold it harmless against, any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust or trusts hereunder, including taxes (other than taxes based upon or determined by the income of the Trustee) and the costs and expenses of defending itself against any claim (whether asserted by the Company, a Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, bad faith or willful misconduct.

Notwithstanding anything to the contrary herein, under no circumstances will the Trustee or any Agent be liable to the Company or any other party to this Indenture for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (*inter alia*, being loss of business, goodwill, opportunity or profit); in each case however caused or arising and whether or not foreseeable, even if the Trustee or the Agent has been advised of the possibility of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.

The obligations of the Company to the Trustee under the provisions of this Section 5.6 shall survive the resignation or removal of the Trustee, the termination of this Indenture and the payment in full of the Notes issued hereunder.

SECTION 5.7. *Corporate Trustee Required; Eligibility.*

There shall at all times be one (and only one) Trustee hereunder. Each Trustee (including any successor Trustee appointed pursuant to Section 5.8 below) shall be a Person that has a combined capital and surplus of at least \$50,000,000 and which is eligible for appointment as trustee in accordance with the provisions of Section 310(a) of the Trust Indenture Act. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section 5.7, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 5.7, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 5.8. *Resignation and Removal; Appointment of Successor.*

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 5.9.

The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 5.9 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation (or within 30 days of the Trustee receiving a notice of removal pursuant to the provisions below), the resigning (or removed) Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Notes.

The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Notes, delivered to the Trustee and to the Company.

If at any time:

- (1) the Trustee shall fail to comply with the provisions Section 310(b) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or any Holder,
- (2) the Trustee shall cease to be eligible in accordance with the provisions of Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any Holder, or
- (3) the Trustee shall become incapable of acting or shall be adjudged bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company may remove the Trustee or (B) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Notes and the appointment of a successor Trustee.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Notes and shall comply with the applicable requirements of Section 5.7. If a successor Trustee with respect to the Notes shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Notes delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 5.9, become the successor Trustee with respect to the Notes and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Notes shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 5.9 within one year after such resignation, removal or incapability, or the occurrence of such vacancy, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Company shall give notice, or shall cause the Notes Registrar to give notice, of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders of Notes in the manner provided in Section 1.6. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 5.9. *Acceptance of Appointment by Successor.*

In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument

accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 5.10. *Merger, Conversion, Consolidation or Succession to Business.*

Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated, or any bank or trust company resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any bank or trust company succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such bank or trust company shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion, consolidation or sale to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

SECTION 5.11. *Conflicting Interest.*

The Trustee for the Notes shall be subject to the provisions of Section 310(b) of the Trust Indenture Act during the period of time required thereby. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Section 310(b) of the Trust Indenture Act. In determining whether the Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Notes of any series, there shall be excluded Notes of any particular series of Notes other than that series.

ARTICLE VI

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 6.1. *Company to Furnish Trustee Names and Addresses of Holders.*

The Company will furnish or cause the Notes Registrar to furnish to the Trustee

(1) not later than 15 days after each Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Outstanding Notes as of such Record Date, and

(2) at such other times as the Trustee may reasonably request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

provided, however, that if and so long as the Trustee shall be Notes Registrar, no such list need be furnished.

SECTION 6.2. *Preservation of Information; Communications to Holders.*

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 6.1 and the names and addresses of Holders received by the Trustee in its capacity as Notes Registrar. The Trustee may destroy any list furnished to it as provided in Section 6.1 upon receipt of a new list so furnished.

Every Holder of Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to applicable law.

ARTICLE VII

MERGER, CONSOLIDATION, SALE OR DISPOSITION

SECTION 7.1. *Company May Consolidate, Etc., Only on Certain Terms.*

The Company may not merge or consolidate into any other Person (the Company not being the continuing entity) or sell, lease or dispose of its properties and assets substantially as an entirety (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any Person unless (a) such Person assumes or succeeds the obligations of the Company under the all series of Notes and this Indenture (and, if such Person is organized in a jurisdiction other than Japan, agrees to pay additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such Person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay Additional Amounts pursuant to Section 9.5, substituting such jurisdiction for references to “Japan”) and (b) after giving effect thereto, no Event of Default shall have occurred and be continuing (such permitted transaction, a “**Succession Event**”).

In connection with any such Succession Event, the Company shall deliver to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such Succession Event and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Section 7.1 and that all conditions precedent in this Indenture provided for or relating to such transaction have been complied with, and that this Indenture and the Notes are the legal, valid and binding obligation of such succeeding Person, enforceable against such Person in accordance with their terms (subject to customary exceptions).

SECTION 7.2. *Successor Substituted.*

Upon any Succession Event in accordance with Section 7.1, such succeeding entity (the “**Successor Person**”) formed by such Succession Event shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such Successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Notes.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

SECTION 8.1. *Supplemental Indentures Without Consent of Holders.*

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Notes; or
- (2) to add to the covenants of the Company or to surrender any right or power herein conferred upon the Company for the benefit of the Holders; or
- (3) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee; or
- (4) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, *provided* that such action pursuant to this Clause (4) shall not adversely affect the interests of the Holders of Notes in any material respect;
- (5) to make any other change that does not adversely affect the interests of the Holders of the Notes in any material respect; or
- (6) to comply with requirements of the Commission in order to effect or maintain the qualification hereof under the Trust Indenture Act.

SECTION 8.2. *Supplemental Indentures With Consent of Holders.*

Modification and amendment of this Indenture and the Notes of any series may be made by the Company and the Trustee with the written consent of the Holders of at least 66% in aggregate principal amount of the Outstanding Notes of each affected series; *provided, however*, that no such modification or amendment may, without the consent of the Holder of each Outstanding Note affected thereby:

- (i) change the maturity date of the principal or payment date of any interest or change any obligation of the Company to pay any Additional Amounts,
- (ii) reduce the principal amount of, or rate of interest on, any Note,
- (iii) change the redemption date or price at which Notes are redeemed, including the special mandatory redemption,
- (iv) affect the rights of Holders of less than all the Outstanding Notes,
- (v) change the place of payment where, or the coin or currency in which, any Note or interest thereon is payable, or
- (vi) impair the right of a Holder to institute suit for the enforcement of any payment on or with respect to any Note on or after the date when due;

provided, further, that no such modification may, without the consent of the Holders of all Notes of the affected series Outstanding at the time, alter the respective percentages of Outstanding Notes necessary, pursuant to this Indenture, to modify the terms of the Notes, waive past defaults or accelerate the payment of the principal amount of the Notes.

It shall not be necessary for any Act of Holders under this Section 8.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 8.3. *Execution of Supplemental Indentures.*

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 8.4. *Effect of Supplemental Indentures.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 8.5. *Reference in Notes to Supplemental Indentures.*

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and such Notes may be authenticated and delivered by the Trustee in exchange for Outstanding Notes.

SECTION 8.6. *Conformity with the Trust Indenture Act.*

Every supplemental indenture executed pursuant to this Article 8 shall conform to the requirements of the Trust Indenture Act as then in effect.

ARTICLE IX

COVENANTS

SECTION 9.1. *Payment of Principal, Interest and Additional Amounts.*

The Company covenants and agrees that (a) it will duly and punctually pay the principal of and interest on the Notes (and Additional Amounts, if any) in accordance with the terms of the Notes and this Indenture and (b) it will pay all additional interest, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement. In the event the Company is required to pay additional interest pursuant to the Registration Rights Agreement, the Company will provide written notice to the Trustee of the Company's obligation to pay additional interest promptly prior to the next interest payment date, which notice shall set forth the amount of additional interest to be paid by the Company. The Trustee shall not at any time be under any duty or responsibility to the Company or any Holders to determine whether any additional interest is payable or the amount thereof.

SECTION 9.2. *Maintenance of Office or Agency.*

So long as any of the Notes remain Outstanding, the Company will maintain in The City of New York an office or agency where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee. The Company hereby initially designates the office of the Paying Agent as specified in the Reverse of Note as the office or agency for each such purpose.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

With respect to any Global Note, and except as otherwise may be specified for such Global Note as contemplated by Section 2.5, the Corporate Trust Office of the Trustee shall be the place of payment where such Global Note may be presented or surrendered for payment or for registration of transfer or exchange, or where successor Notes may be delivered in exchange therefor, provided, however, that any such payment, presentation, surrender or delivery effected pursuant to the Applicable Procedures of the Depository for such Global Note shall be deemed to have been effected at the place of payment for such Global Note in accordance with the provisions of this Indenture.

SECTION 9.3. *Money for Notes Payments to Be Held in Trust.*

Whenever the Company shall have one or more Paying Agents, it shall deposit or cause to be deposited with a Paying Agent, a sum for value each due date sufficient to pay the principal of or interest (or Additional Amounts, if any) on the Notes, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 9.3, that such Paying Agent will (1) hold all sums held by it for the payment of the principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided, (2) give the Trustee prompt written notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal or interest on the Notes and (3) during the continuance of any default by the Company (or any other obligor upon the Notes) in the making of any payment in respect of the Notes, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Notes.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of or interest or Additional Amounts (if applicable) on any Note and remaining unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the Trustee shall,

upon receipt of a Company Request, be paid by the Trustee or such Paying Agent to the Company and, to the extent permitted by law, the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease.

SECTION 9.4. *Statement by Officers as to Default.*

The Company shall deliver to the Trustee, reasonably promptly after the Company becomes aware of the occurrence of (i) any Event of Default or an event which, with notice or the lapse of time or both, would constitute an Event of Default or (ii) any default in the performance by the Company of any obligation under the Notes or this Indenture, an Officer's Certificate setting forth the details of such Event of Default or default and the action which the Company proposes to take with respect thereto.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof or within 10 Business Days of any request by the Trustee, an Officer's Certificate of the Company, in substantially the form set forth in Exhibit D hereto, stating whether or not to the knowledge of the signer thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions under this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default specifying all such defaults and the nature and status thereof of which the signer may have knowledge. As of the date hereof, the fiscal year of the Company ends on March 31 of each calendar year.

SECTION 9.5. *Additional Amounts.*

All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Notes under any of the following circumstances:

(i) the Holder or beneficial owner of the Notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Notes by reason of its (A) having some present or former connection with Japan other than the mere holding of such Notes or (B) being a person having a special relationship with the Company (a "**specially-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of the Notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom the relevant Notes are presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of the Notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to

submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such Notes through a payment handling agent in Japan appointed by it);

(iv) the Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the Notes became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder thereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting its Notes (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the solebeneficial owner of the payment of the principal of, or any interest on, any Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of such Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Trustee, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Trustee, a Paying Agent or any other Person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where the Notes are held through a participant of an international clearing organization or a financial intermediary (each, within this Section 9.5, referred to as a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of the Notes is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of the Notes must, at the time of entrusting a Participant with the custody of the relevant Notes, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of the Notes ceases to be so exempted (including the case where a beneficial owner of the Notes that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where Notes are not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of the Notes is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact

that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Trustee, and the Trustee shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Trustee.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the Notes; provided that, except as otherwise set forth in the Notes and in this Indenture, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to this Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of the Notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the Notes and this Indenture.

SECTION 9.6. *Appointment to Fill a Vacancy in Office of Trustee.*

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 5.8, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 9.7. *Indemnification of Judgment Currency.*

The Company agrees to indemnify each Holder to the full extent permitted by applicable law against any loss incurred by such Holder as a result of any judgment or order being given or made for any amount due under such Note and such judgment or order being expressed and paid in a currency (the “**Judgment Currency**”) other than U.S. dollars (the “**Required Currency**”) and as a result of any variation as between (a) the rate of exchange at which the Required Currency is converted into the Judgment Currency for the purpose of such judgment or order and (b) the spot rate of exchange in The City of New York at which the Holder on the date that payment is made pursuant to such judgment or order is able to purchase the Required Currency with the amount of the Judgment Currency actually received by the Holder. The Company’s obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture.

SECTION 9.8. *Rule 144A Information.*

At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act and is not exempt from reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the

Exchange Act, upon the request of a Holder of, or owner of a beneficial interest in, a Note, the Company shall promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or beneficial owner or to a prospective purchaser of such Note designated by such Holder or beneficial owner or to the Trustee for delivery to such Holder or beneficial owner or prospective purchaser, as the case may be, in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act in connection with the resale of such Note or any interest therein by such Holder or beneficial owner. “**Rule 144A Information**” shall be such information as is at the time of such proposed purchase specified pursuant to Rule 144A(d)(4) under the Securities Act, as amended (or any successor provision thereto).

SECTION 9.9. *Reports by the Company.*

For as long as any Notes are Outstanding, the Company will promptly furnish to the Trustee (A) such other documents, reports and information as shall be furnished by the Company to its security holders generally; (B) within six months after the end of each fiscal year, an annual report in English including a consolidated balance sheet and consolidated statements of operations, surplus and cash flows of the Company audited by independent public accountants and prepared in conformity with International Financial Reporting Standards; and (C) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year) an interim report in English including financial statements of the Company (or, if consolidated financial statements are prepared, its consolidated financial statements).

SECTION 9.10. *Reports by the Trustee.*

Any Trustee’s report required under Section 313(a) of the Trust Indenture Act shall be transmitted on or before April 1 in each year following the date hereof, so long as any Notes are Outstanding, and shall be dated as of a date convenient to the Trustee no more than 60 nor less than 45 days prior thereto.

SECTION 9.11. *Annual Compliance Certificate.*

So long as any Notes are Outstanding under this Indenture, the Company will furnish to the Trustee within 180 days of the end of the Company’s fiscal year each year (beginning with the year following the first issuance of the Notes pursuant to this Indenture) a brief certificate (which need not comply with Section 1.2) from the principal executive, financial or accounting officer of the Company as to his or her knowledge of the Company’s compliance with all conditions and covenants under this Indenture (such compliance to be determined without regard to any period of grace or requirement of notice provided under the Indenture), which certificate shall comply with the requirements of the Trust Indenture Act

SECTION 9.12. *Negative Pledge.*

So long as any Note remains outstanding, the Company shall not, and shall procure that none of its Principal Subsidiaries shall, create or permit to subsist any Lien on any of its, or, as the case may be, such Principal Subsidiary’s, property, assets or revenues, present or future, to secure for the benefit of the holders of Public External Indebtedness payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien.

ARTICLE X
REDEMPTION AND PURCHASE OF SECURITIES

SECTION 10.1. *Optional Redemption of Notes.*

The 2020 Notes, the 2021 Notes, the 2023 Notes and the 2028 Notes may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to the maturity date with respect to the 2020 Notes, October 26, 2021 (the “**2021 Par Call Date**”) with respect to the 2021 Notes, October 26, 2023 (the “**2023 Par Call Date**”) with respect to the 2023 Notes and August 26, 2028 (the “**2028 Par Call Date**”) with respect to the 2028 Notes, in each case, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5), at a redemption price equal to the greater of:

- (a) 100% of the principal amount of the Notes being redeemed; or
- (b) the sum of the present values of the principal and the remaining scheduled payments of interest on the Notes being redeemed (exclusive of interest accrued to the Redemption Date) that would be due if such Notes were (a) held to the maturity date with respect to the 2020 Notes or (b) redeemed on the applicable par call date, in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 17.5 basis points in the case of the 2020 Notes, 20.0 basis points in the case of the 2021 Notes, 25.0 basis points in the case of the 2023 Notes and 30.0 basis points in the case of the 2028 Notes, plus, in each case, accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the Redemption Date.

The 2021 Notes, the 2023 Notes and the 2028 Notes may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the 2021 Par Call Date with respect to the 2021 Notes, the 2023 Par Call Date with respect to the 2023 Notes and the 2028 Par Call Date with respect to the 2028 Notes, in each case, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5), at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to, but excluding, the Redemption Date.

If less than all of the Notes are to be redeemed, the Notes shall be redeemed on a pro rata basis (or, in the case of Notes represented by global notes, in accordance with the procedures of DTC), based on the then outstanding principal amount of each Note, provided, however, that if any such pro-rated redemption would result in any Notes having an authorized principal amount of less than the minimum authorized denomination, all such Notes shall be redeemed in full prior to the redemption of any other Notes, except as may be provided in the form of Note or in any indenture supplemental hereto. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of the Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

SECTION 10.2. *Optional Redemption due to an Additional Amounts Event.*

Each series of the Notes may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders (which notice shall be irrevocable and shall conform, as applicable, to the additional notice requirements set forth in Section 10.5) at the principal amount of the Notes together with interest accrued to the date fixed for redemption and any Additional Amounts thereon, if the Company has been or will be obliged to pay any Additional Amounts with

respect to such series as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the Notes or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an “**Additional Amounts Event**”). No notice of redemption for an Additional Amounts Event pursuant to this Section 10.2 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to the Notes.

Prior to the publication of any notice of redemption pursuant to this Section 10.2, the Company shall deliver to the Trustee (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

SECTION 10.3. *Special Mandatory Redemption.*

If (i) the Shire Acquisition has not been consummated on or prior to the Long Stop Date or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Indenture.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Trustee, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Trustee or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

SECTION 10.4. *Election to Redeem; Notice to Trustee.*

The election of the Company to redeem any Notes shall be evidenced by a Company Order and an Officer’s Certificate, both given to the Trustee.

SECTION 10.5. *Notice of Redemption.*

Notice of redemption shall be given transmitted not less than 30 nor more than 60 days prior to the date for redemption (“**Redemption Date**”), to the Trustee and to each Holder of Notes to be redeemed at his address appearing in the Notes Register. If by reason of any cause, it shall be impracticable to give notice to the

Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Trustee on behalf of and at the instruction of the Company (as set forth below) shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the redemption price and the amount of any accrued and unpaid interest payable on the Redemption Date,
- (3) the CUSIP, ISIN and Common Code or other identifying number of the Notes,
- (4) that on the Redemption Date, the redemption price (together with any accrued and unpaid interest payable on the Redemption Date) will become due and payable upon each such Notes to be redeemed and that interest thereon will cease to accrue on and after said date, and
- (5) the place or places where such Notes are to be surrendered for payment of the redemption price, and accrued interest, if any.

Notice of redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request by the Trustee in the name and at the expense of the Company (provided that the Company shall have delivered to the Trustee, at least five Business Days before notice of redemption is required to be given to Holders (unless a shorter notice shall be agreed to by the Trustee), a Company Request requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph) and shall be irrevocable.

SECTION 10.6. *Deposit of Redemption Price.*

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent an amount of money sufficient to pay the redemption price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Notes which are to be redeemed on that date.

SECTION 10.7. *Notes Payable on Redemption Date.*

Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price applicable thereto, and from and after such date (unless the Company shall default in the payment of the redemption price and accrued interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the redemption price, together with accrued interest to the Redemption Date; *provided, however*, that installments of interest whose payment date is on or prior to the Redemption Date will be payable to the Holders of such Notes, registered as such at the close of business on the relevant Record Date according to their terms.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the terms of the Note.

SECTION 10.8. *Repurchase of Notes.*

The Company or any subsidiary thereof may, at any time, purchase the Notes for cancellation in the open market or otherwise at any price.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By: /s/ Mitsuhiro Okada _____

Name: Mitsuhiro Okada

Title: Head of Global Treasury & Finance
Management

MUFG UNION BANK, N.A.,
as Trustee

By: /s/ Marion Zinowski _____

Name: Marion Zinowski

Title: Vice President

FORM OF RULE 144A GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

TRANSFERS AND EXCHANGES OF THIS NOTE, IN WHOLE OR IN PART, AND OF BENEFICIAL INTERESTS IN THIS NOTE ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE INDENTURE, A COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE CORPORATE TRUST OFFICE OF THE TRUSTEE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“**DTC**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL

INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[3.800% Senior Notes due 2020]
[4.000% Senior Notes due 2021]
[4.400% Senior Notes due 2023]
[5.000% Senior Notes due 2028]

No. 144A-1

Principal Amount \$●

CUSIP No. ●¹

ISIN ●²

Common Code ●³

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal amount set forth above on November 26, ●⁴, and to pay interest thereon from November 26, 2018 or from the most recent Interest Payment Date to which interest has been paid or made available for payment, semi-annually in arrears on each Interest Payment Date commencing on May 26, 2019, at the rate of ●⁵% per annum, together with such Additional Amounts (if any) as may be payable under this Note, until the principal hereof is paid or made available for payment. Interest on this Note will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

In any case in which any date for payment of principal or interest (or Additional Amounts, if any) falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

“**Interest Payment Date**” means each May 26 and November 26 during the term of this Note.

“**Business Day**” means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York, London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Trustee for authentication.

¹ 874060AK2 for the 2020 Notes, 874060AN6 for the 2021 Notes; 874060AR7 for the 2023 Notes; and 874060AU0 for the 2028 Notes.

² US874060AK27 for the 2020 Notes, US874060AN65 for the 2021 Notes; US874060AR79 for the 2023 Notes; and US874060AU09 for the 2028 Notes.

³ 190258220 for the 2020 Notes, 190257363 for the 2021 Notes; 190258181 for the 2023 Notes; and 190256758 for the 2028 Notes.

⁴ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

⁵ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Indenture:

Dated: _____, 20____

MUFG UNION BANK, N.A.,
as Trustee

By _____

Authorized Signatory

[FORM OF REVERSE OF NOTE]

1. The principal amount of this Note shall be paid on any redemption date, in immediately available funds in The City of New York upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Union Bank, N.A., as trustee (MUFG Union Bank, N.A. or any duly appointed successor trustee acting in such capacity herein referred to as the “**Trustee**”), pursuant to an Indenture (such agreement, as it may be amended from time to time, the “**Indenture**”), dated as of November 26, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Trustee. The office of the Trustee at which such payment shall be made is the corporate trust office located at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020 or at such other address in The City of New York as the Trustee shall specify (the “**Corporate Trust Office**”) by notice to the Holder (as defined in the Indenture). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Indenture.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in the United States designated by the Holder in a written notice received by the Trustee (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Trustee for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Trustee. “**Record Date**” means, with respect to an Interest Payment Date, the day five Business Days preceding such Interest Payment Date.

2. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in United States dollars or in such other coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Trustee for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Indenture (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where Notes may be presented or surrendered for payment.

3. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Corporate Trust Office in The City of New York, where the Trustee shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of \$200,000 or an integral multiple of \$1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Trustee and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Trustee may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Indenture to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant

to this Note and the Indenture only if: (i) the Depository (as defined in the Indenture) notifies the Company that it is unwilling or unable to continue as depository for a Global Note or has ceased to be qualified to act as such as required by the Indenture or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Indenture. Notwithstanding any other provision of this Note, a Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Indenture, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Trustee may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Trustee shall not be affected by any notice to the contrary.

4. Except as provided in Sections 6, 7, 8 and 9 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to November 26, ●⁶.

5. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a "**specially-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax

⁶ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Trustee, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Trustee, a Paying Agent or any other Person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Trustee, and the Trustee shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Trustee.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Indenture, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Indenture.

6. This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to ●⁷ [(the “**Par Call Date**”)]⁸, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders, at a redemption price equal to the greater of (a) 100% of the principal amount of this Note being redeemed or (b) the sum of the present values of the principal and the remaining scheduled payments of interest on this Note being redeemed (exclusive of interest accrued to the Redemption Date (as defined in the Indenture)), that would be due if this Note were [held to the maturity date]⁹[redeemed on the Par Call Date]¹⁰, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Indenture) plus ●¹¹ basis points, plus, in each case, accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.

⁷ November 26, 2020 for the 2020 Notes; October 26, 2021 for the 2021 Notes; October 26, 2023 for the 2023 Notes; and August 26, 2028 for the 2028 Notes.

⁸ Remove for 2020 Notes.

⁹ Only for the 2020 Notes

¹⁰ Only for the 2021 Notes, 2023 Notes and 2028 Notes

¹¹ 17.5 for the 2020 Notes; 20.0 for the 2021 Notes; 25.0 for the 2023 Notes; and 30.0 for the 2028 Notes.

[This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 nor more than 60 days' notice of redemption to the Trustee and the Holders, at a redemption price equal to 100% of the principal amount of this Note being redeemed plus accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.]¹²

7. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days' notice of redemption to the Trustee and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 7 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 7, the Company shall deliver to the Trustee (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

8. If (i) the Shire Acquisition (as defined in the Indenture) has not been consummated on or prior to the Long Stop Date (as defined in the Indenture) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Indenture.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Trustee, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Trustee or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

¹² Only for the 2021 Notes, 2023 Notes and 2028 Notes.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

9. In the case of any redemption of this Note as provided in Section 6, 7 or 8 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Trustee on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

10. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Trustee, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Trustee in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Trustee shall be discharged from such trust, and repaid to the Company, and all liability of the Trustee with respect to such money shall cease.

11. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Trustee, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Trustee, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Trustee shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Trustee shall have received (a) satisfactory evidence (as so deemed by the Trustee in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Trustee satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Indenture, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

12. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

13. This Note is one of the ●¹³% Senior Notes due ●¹⁴ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Indenture, copies of which are on file and available for inspection at the Corporate Trust Office. Under the terms of the Indenture, the Company may remove any Trustee and appoint a new Trustee. The Company shall notify, or cause the Trustee to notify, the Holders of Notes of the appointment of any Trustee.

The Notes are issuable only as fully registered Notes without coupons in denominations of \$200,000 or integral multiples of \$1,000 in excess thereof.

14. Article VIII of the Indenture, which provides for amendments to the Indenture and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

15. Subject to the authentication of this Note by the Trustee, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

16. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

¹³ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

¹⁴ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

FORM OF REGULATION S GLOBAL NOTE

[FORM OF FACE OF NOTE]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “**COMPANY**”) HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“**DTC**”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “**ACT ON SPECIAL TAXATION MEASURES**”) (A “**SPECIALLY-RELATED PERSON OF THE COMPANY**”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[3.800% Senior Notes due 2020]
[4.000% Senior Notes due 2021]
[4.400% Senior Notes due 2023]
[5.000% Senior Notes due 2028]

No. Reg S-1

Principal Amount \$●

CUSIP No. ●¹⁵

ISIN ●¹⁶

Common Code ●¹⁷

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal amount set forth above on November 26, ●¹⁸, and to pay interest thereon from November 26, 2018 or from the most recent Interest Payment Date to which interest has been paid or made available for payment, semi-annually in arrears on each Interest Payment Date commencing on May 26, 2019, at the rate of ●¹⁹% per annum, together with such Additional Amounts (if any) as may be payable under this Note, until the principal hereof is paid or made available for payment. Interest on this Note will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

In any case in which any date for payment of principal or interest (or Additional Amounts, if any) falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

“**Interest Payment Date**” means each May 26 and November 26 during the term of this Note.

“**Business Day**” means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York, London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Trustee for authentication.

¹⁵ J8129EAV0 for the 2020 Notes; J8129EAW8 for the 2021 Notes; J8129EAX6 for the 2023 Notes; and J8129EAY4 for the 2028 Notes.

¹⁶ USJ8129EAV05 for the 2020 Notes; USJ8129EAW87 for the 2021 Notes; USJ8129EAX60 for the 2023 Notes; and USJ8129EAY44 for the 2028 Notes.

¹⁷ 190257380 for the 2020 Notes; 190256782 for the 2021 Notes; 190257347 for the 2023 Notes; and 190258165 for the 2028 Notes.

¹⁸ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

¹⁹ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Indenture:

Dated: _____, 20__

MUFG UNION BANK, N.A.,
as Trustee

By _____

Authorized Signatory

[FORM OF REVERSE OF NOTE]

1. The principal amount of this Note shall be paid on any redemption date, in immediately available funds in The City of New York upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Union Bank, N.A., as trustee (MUFG Union Bank, N.A. or any duly appointed successor trustee acting in such capacity herein referred to as the “**Trustee**”), pursuant to an Indenture (such agreement, as it may be amended from time to time, the “**Indenture**”), dated as of November 26, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Trustee. The office of the Trustee at which such payment shall be made is the corporate trust office located at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020 or at such other address in The City of New York as the Trustee shall specify (the “**Corporate Trust Office**”) by notice to the Holder (as defined in the Indenture). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Indenture.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in the United States designated by the Holder in a written notice received by the Trustee (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Trustee for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Trustee. “**Record Date**” means, with respect to an Interest Payment Date, the day five Business Days preceding such Interest Payment Date.

2. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in United States dollars or in such other coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Trustee for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Indenture (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where Notes may be presented or surrendered for payment.

3. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Corporate Trust Office in The City of New York, where the Trustee shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of \$200,000 or an integral multiple of \$1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Trustee and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Trustee may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Indenture to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant

to this Note and the Indenture only if: (i) the Depository (as defined in the Indenture) notifies the Company that it is unwilling or unable to continue as depository for a Global Note or has ceased to be qualified to act as such as required by the Indenture or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Indenture. Notwithstanding any other provision of this Note, a Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Indenture, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Trustee may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Trustee shall not be affected by any notice to the contrary.

4. Except as provided in Sections 6, 7, 8 and 9 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to November 26, ●²⁰.

5. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax (“**Taxes**”), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts (“**Additional Amounts**”) as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a “**specialty-related person of the Company**”) as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the “**Act on Special Taxation Measures**”);

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented

²⁰ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

(where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Trustee, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Trustee, a Paying Agent or any other Person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Trustee, and the Trustee shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Trustee.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Indenture, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Indenture.

6. This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to ●²¹ [(the “**Par Call Date**”)]²², upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders, at a redemption price equal to the greater of (a) 100% of the principal amount of this Note being redeemed or (b) the sum of the present values of the principal and the remaining scheduled payments of interest on this Note being redeemed (exclusive of interest accrued to the Redemption Date (as defined in the Indenture)), that would be due if this Note were [held to the maturity date]²³[redeemed on the Par Call Date]²⁴, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Indenture) plus ●²⁵ basis points, plus, in each case, accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.

[This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 nor more than 60 days’

²¹ November 26, 2020 for the 2020 Notes; October 26, 2021 for the 2021 Notes; October 26, 2023 for the 2023 Notes; and August 26, 2028 for the 2028 Notes.

²² Remove for 2020 Notes.

²³ Only for the 2020 Notes

²⁴ Only for the 2021 Notes, 2023 Notes and 2028 Notes

²⁵ 17.5 for the 2020 Notes; 20.0 for the 2021 Notes; 25.0 for the 2023 Notes; and 30.0 for the 2028 Notes.

notice of redemption to the Trustee and the Holders, at a redemption price equal to 100% of the principal amount of this Note being redeemed plus accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.]²⁶

7. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days' notice of redemption to the Trustee and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 7 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 7, the Company shall deliver to the Trustee (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

8. If (i) the Shire Acquisition (as defined in the Indenture) has not been consummated on or prior to the Long Stop Date (as defined in the Indenture) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Indenture.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Trustee, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Trustee or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

²⁶ Only for the 2021 Notes, 2023 Notes and 2028 Notes.

9. In the case of any redemption of this Note as provided in Section 6, 7 or 8 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Trustee on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

10. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Trustee, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Trustee in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Trustee shall be discharged from such trust, and repaid to the Company, and all liability of the Trustee with respect to such money shall cease.

11. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Trustee, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Trustee, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Trustee shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Trustee shall have received (a) satisfactory evidence (as so deemed by the Trustee in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Trustee satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Indenture, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

12. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

13. This Note is one of the ●²⁷% Senior Notes due ●²⁸ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Indenture, copies of which are on file and

²⁷ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

²⁸ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

available for inspection at the Corporate Trust Office. Under the terms of the Indenture, the Company may remove any Trustee and appoint a new Trustee. The Company shall notify, or cause the Trustee to notify, the Holders of Notes of the appointment of any Trustee.

The Notes are issuable only as fully registered Notes without coupons in denominations of \$200,000 or integral multiples of \$1,000 in excess thereof.

14. Article VIII of the Indenture, which provides for amendments to the Indenture and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

15. Subject to the authentication of this Note by the Trustee, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

16. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

FORM OF UNRESTRICTED GLOBAL NOTE

[FORM OF FACE OF NOTE]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO TAKEDA PHARMACEUTICAL COMPANY LIMITED (THE “COMPANY”) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST PAYMENTS ON THIS NOTE GENERALLY WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS IT IS ESTABLISHED THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A BENEFICIAL OWNER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A PERSON HAVING A SPECIAL RELATIONSHIP WITH THE COMPANY AS DESCRIBED IN ARTICLE 6, PARAGRAPH (4) OF THE ACT ON SPECIAL MEASURES CONCERNING TAXATION OF JAPAN (ACT NO. 26 OF 1957, AS AMENDED) (THE “ACT ON SPECIAL TAXATION MEASURES”) (A “SPECIALLY-RELATED PERSON OF THE COMPANY”), (II) A JAPANESE FINANCIAL INSTITUTION OR A JAPANESE FINANCIAL INSTRUMENTS BUSINESS OPERATOR DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER (CABINET ORDER NO. 43 OF 1957, AS AMENDED) RELATING TO THE ACT ON SPECIAL TAXATION MEASURES WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER ARTICLE 6, PARAGRAPH (9) OF THE ACT ON SPECIAL TAXATION MEASURES OR (III) A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. DESCRIBED IN ARTICLE 3-3, PARAGRAPH (6) OF THE ACT ON SPECIAL TAXATION MEASURES WHICH HAS RECEIVED SUCH PAYMENTS THROUGH A PAYMENT HANDLING AGENT IN JAPAN AS DESCRIBED IN PARAGRAPH (1) OF SAID ARTICLE AND COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION NOT DESCRIBED IN THE PRECEDING PARAGRAPH, OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY WILL BE SUBJECT TO JAPANESE INCOME TAX AT THE TIME OF SUCH INTEREST PAYMENTS.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

[3.800% Senior Notes due 2020]
[4.000% Senior Notes due 2021]
[4.400% Senior Notes due 2023]
[5.000% Senior Notes due 2028]

No. 1

Principal Amount \$●

CUSIP No. ●

ISIN ●

Common Code ●

Takeda Pharmaceutical Company Limited (the “**Company**”), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal amount set forth above on November 26, ●²⁹, and to pay interest thereon from November 26, 2018 or from the most recent Interest Payment Date to which interest has been paid or made available for payment, semi-annually in arrears on each Interest Payment Date commencing on May 26, 2019, at the rate of ●³⁰% per annum, together with such Additional Amounts (if any) as may be payable under this Note, until the principal hereof is paid or made available for payment. Interest on this Note will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. This Note will be the Company’s direct, unsecured and unsubordinated general obligation and will have the same rank in liquidation as all of the Company’s other unsecured and unsubordinated debt.

In any case in which any date for payment of principal or interest (or Additional Amounts, if any) falls on a day that is not a Business Day, then payment of principal or interest (or Additional Amounts, if any) need not be made on such date but may be made on the next succeeding Business Day. Any payment made pursuant to the preceding sentence on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

“**Interest Payment Date**” means each May 26 and November 26 during the term of this Note.

“**Business Day**” means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York, London or Tokyo.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, and such provisions shall for all purposes have the same effect as though fully set forth in this place.

This Note shall not be valid or obligatory for any purpose until it shall have been manually signed by the Trustee for authentication.

²⁹ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

³⁰ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By _____

Name: *[name]*

Title: *[title]*

This is one of the Notes referred to
in the within-mentioned Indenture:

Dated: _____, 20____

MUFG UNION BANK, N.A.,
as Trustee

By _____

Authorized Signatory

[FORM OF REVERSE OF NOTE]

1. The principal amount of this Note shall be paid on any redemption date, in immediately available funds in The City of New York upon surrender of the Note at the office designated herein or pursuant hereto of MUFG Union Bank, N.A., as trustee (MUFG Union Bank, N.A. or any duly appointed successor trustee acting in such capacity herein referred to as the “**Trustee**”), pursuant to an Indenture (such agreement, as it may be amended from time to time, the “**Indenture**”), dated as of November 26, 2018, between Takeda Pharmaceutical Company Limited (the “**Company**”) and the Trustee. The office of the Trustee at which such payment shall be made is the corporate trust office located at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020 or at such other address in The City of New York as the Trustee shall specify (the “**Corporate Trust Office**”) by notice to the Holder (as defined in the Indenture). Terms used herein not otherwise defined shall have the meaning ascribed to such term in the Indenture.

Payment of the principal of, and interest (including Additional Amounts, if applicable) on, this Note shall be made by wire transfer in immediately available funds to a bank account in the United States designated by the Holder in a written notice received by the Trustee (a) in the case of a payment of interest, prior to the Record Date (as defined below) immediately preceding the date on which such payment is due and (b) in the case of payment of principal on any redemption date, no less than 30 days and no more than 60 days prior to such redemption date, provided that in the case of such payment of principal, this Note shall have been surrendered to the Trustee for payment together with such notice. No interest shall accrue on this Note after redemption; provided, however, that, to the extent permitted by applicable law, interest shall accrue, at the rate at which interest accrues on the principal of this Note, on any amount of principal not paid when due upon surrender of this Note to the Trustee. “**Record Date**” means, with respect to an Interest Payment Date, the day five Business Days preceding such Interest Payment Date.

2. Payments of principal of and interest (including Additional Amounts, if applicable) on this Note shall be made in United States dollars or in such other coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Until the date on which the Notes shall have been delivered to the Trustee for cancellation, or become due and payable and a sum sufficient to pay the principal of and interest (including Additional Amounts, if applicable) on all of the Notes shall have been made available for payment and either paid or returned to the Company as provided herein and in the Indenture (such date being referred to herein as the “**Termination Date**”), the Company will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where Notes may be presented or surrendered for payment.

3. This Note is transferable in whole or in part and may be exchanged for a like aggregate principal amount of Notes of other authorized denominations by the Holder in person, or by his attorney duly authorized in writing, at the Corporate Trust Office in The City of New York, where the Trustee shall maintain a register providing for the registration of the Notes and any exchange or transfer thereof (the “**Note Register**”). Upon surrender of this Note for exchange or registration of transfer, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a Note or Notes, each in a denomination of \$200,000 or an integral multiple of \$1,000 in excess thereof, which has or have an aggregate denomination equal to the denomination of this Note and is or are registered in such name or names requested by the Holder. Any Note presented for exchange or registration of transfer shall be accompanied by a written instrument of transfer in form and with guarantee of signature and evidence of authority satisfactory to the Trustee and with payment by the transferor of any stamp or other tax or governmental charge payable in connection with such transfer (or evidence that such tax or charge has been paid) and with such tax identification number or other information for each person in whose name a new Note is to be issued as the Trustee may request to comply with applicable law. No exchange or registration of transfer of this Note shall be made on or after the date upon which a notice of redemption of this Note is transmitted to the Holder.

Notwithstanding any other provision of this Note or the Indenture to the contrary, this Note, if in global form (a Note in such form being referred to herein as a “**Global Note**”), shall be exchangeable pursuant

to this Note and the Indenture only if: (i) the Depositary (as defined in the Indenture) notifies the Company that it is unwilling or unable to continue as depositary for a Global Note or has ceased to be qualified to act as such as required by the Indenture or (ii) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Notes. Upon the occurrence of any such event, this Note shall be exchangeable for definitive Notes, as provided in the Indenture. Notwithstanding any other provision of this Note, a Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. In the event and for so long as definitive Notes are not issued to any owner of a beneficial interest in this Global Note after the occurrence of one of the events set forth above, the Company expressly acknowledges, with respect to the right of a Holder to pursue a remedy pursuant to Section 4.7 or Section 4.8 of the Indenture, the right of such owner to pursue such remedy with respect to the portion of this Global Note that represents such owner's Notes as if such definitive Notes had been issued.

No service charge shall be made for any such exchange or registration of transfer, but the Company may charge the party requesting any such exchange or registration of transfer a sum sufficient to reimburse it for any tax or other governmental charge required to be paid in connection with such exchange or registration.

All Notes issued upon any exchange or registration of transfer of this Note shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as this Note.

Except in the circumstances referred to in the second paragraph of this Section 3, the Company and the Trustee may treat the Holder as the absolute owner of this Note for the purpose of receiving payments of principal of and interest (including, Additional Amounts, as defined in Section 5 of this Note) on this Note and for all other purposes whatsoever, and the Company and the Trustee shall not be affected by any notice to the contrary.

4. Except as provided in Sections 6, 7, 8 and 9 of this Note, this Note is not redeemable or subject to payment at the option of the Company prior to November 26, ●³¹.

5. All payments of principal and interest in respect of this Note shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax ("**Taxes**"), unless such withholding or deduction is required by law or by the authority. In such event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Holder of such amounts as would have been received by it had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to this Note under any of the following circumstances:

(i) the Holder or beneficial owner of this Note is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of this Note by reason of its (A) having some present or former connection with Japan other than the mere holding of this Note or (B) being a person having a special relationship with the Company (a "**specialty-related person of the Company**") as described in Article 6, paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (together with the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended), the "**Act on Special Taxation Measures**");

(ii) the Holder or beneficial owner of this Note would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant Paying Agent to whom this Note is presented

³¹ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

(where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such Paying Agent;

(iii) the Holder or beneficial owner of this Note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the Participant or otherwise) the relevant Paying Agent of its status as not being subject to Taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on this Note through a payment handling agent in Japan appointed by it);

(iv) this Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on this Note became due or after the full payment was provided for, whichever occurs later, except to the extent the Holder hereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed on a Holder or beneficial owner that could have avoided such withholding or deduction by presenting this Note (where presentation is required) to another Paying Agent maintained by the Company;

(vi) the Holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, this Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the Holder of this Note; or

(vii) any combination of (i) through (vi) above.

For the avoidance of doubt, none of the Company, the Trustee, any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement between the Company, the Trustee, a Paying Agent or any other Person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where this Note is held through a participant of an international clearing organization or a financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (each, a “**Designated Financial Institution**”) falling under certain categories prescribed by the Act on Special Taxation Measures, all in accordance with the Act on Special Taxation Measures, such beneficial owner of this Note must, at the time of entrusting a Participant with the custody of this Note, provide certain information prescribed by the Act on Special Taxation Measures (“**Interest Recipient Information**”) to enable the Participant to establish that such beneficial owner is exempted from the requirement for Taxes to be withheld or deducted, and advise the Participant if the beneficial owner of this Note ceases to be so exempted (including the case where a beneficial owner of this Note that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where this Note is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for or on account of Taxes, if the relevant beneficial owner of this Note is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Act on Special Taxation Measures, such beneficial owner must, prior to each time at which it receives interest, submit to the relevant Paying Agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (“**Written Application for Tax Exemption**”) in a form obtainable from the Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of this Note, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Company shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Company shall use reasonable efforts to obtain other evidence satisfactory to the Trustee, and the Trustee shall make such certified copies or other evidence available to the Holders or beneficial owners of the Notes upon reasonable request to the Trustee.

The obligation to pay Additional Amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on this Note; provided that, except as otherwise set forth in this Note and in the Indenture, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the Notes.

References to principal or interest in respect of this Note shall be deemed to include any Additional Amounts due which may be payable as set forth in this Note and the Indenture.

6. This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time prior to ●³² [(the “**Par Call Date**”)]³³, upon giving not less than 30 nor more than 60 days’ notice of redemption to the Trustee and the Holders, at a redemption price equal to the greater of (a) 100% of the principal amount of this Note being redeemed or (b) the sum of the present values of the principal and the remaining scheduled payments of interest on this Note being redeemed (exclusive of interest accrued to the Redemption Date (as defined in the Indenture)), that would be due if this Note were [held to the maturity date]³⁴[redeemed on the Par Call Date]³⁵, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the Indenture) plus ●³⁶ basis points, plus, in each case, accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.

³² November 26, 2020 for the 2020 Notes; October 26, 2021 for the 2021 Notes; October 26, 2023 for the 2023 Notes; and August 26, 2028 for the 2028 Notes.

³³ Remove for 2020 Notes.

³⁴ Only for the 2020 Notes

³⁵ Only for the 2021 Notes, 2023 Notes and 2028 Notes

³⁶ 17.5 for the 2020 Notes; 20.0 for the 2021 Notes; 25.0 for the 2023 Notes; and 30.0 for the 2028 Notes.

[This Note may be redeemed at any time at the option and sole discretion of the Company, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 nor more than 60 days' notice of redemption to the Trustee and the Holders, at a redemption price equal to 100% of the principal amount of this Note being redeemed plus accrued and unpaid interest on the principal amount of this Note being redeemed to, but excluding, the Redemption Date.]³⁷

7. This Note may be redeemed at any time at the option and sole discretion of the Company in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 nor more than 60 days' notice of redemption to the Trustee and the Holders (which notice shall be irrevocable) at the principal amount of this Note together with interest accrued to the date fixed for redemption and any Additional Amounts hereon, if the Company has been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of this Note or (b) after the completion of any Succession Event, any change in, or amendment to, the laws or regulations of the jurisdiction of the Successor Person or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided by the Company or the Successor Person through the taking of reasonable measures available to the Company or the Successor Person, as the case may be (an "**Additional Amounts Event**"). No notice of redemption for an Additional Amounts Event pursuant to this Section 7 shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such Additional Amounts on payments with respect to this Note.

Prior to the publication of any notice of redemption pursuant to this Section 7, the Company shall deliver to the Trustee (i) a certificate signed by an Authorized Officer stating that the conditions precedent to its right to so redeem have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The Trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

8. If (i) the Shire Acquisition (as defined in the Indenture) has not been consummated on or prior to the Long Stop Date (as defined in the Indenture) or (ii) the Company otherwise publicly announces that the Shire Acquisition will not be consummated, then the Company will be required to redeem all outstanding Notes on the Special Mandatory Redemption Date at a special mandatory redemption price equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to, but excluding, the Special Mandatory Redemption Date.

Notwithstanding the foregoing, installments of interest on the Notes that are due and payable on Interest Payment Dates falling on or prior to the Special Mandatory Redemption Date will be payable on such Interest Payment Dates to the registered Holders as of the close of business on the relevant Record Dates in accordance with the terms of the Notes and this Indenture.

The Company will cause the notice of special mandatory redemption to be transmitted, with a copy to the Trustee, within five Business Days after the occurrence of the event triggering the special mandatory redemption to each Holder at its registered address. If funds sufficient to pay the special mandatory redemption price of the outstanding notes to be redeemed on the Special Mandatory Redemption Date (plus accrued and unpaid interest, if any, to, but excluding, such date) are deposited with the Trustee or a paying agent on or before such Special Mandatory Redemption Date, and certain other conditions are satisfied, on and after such Special Mandatory Redemption Date, the outstanding Notes will cease to bear interest.

³⁷ Only for the 2021 Notes, 2023 Notes and 2028 Notes.

Upon the consummation of the Shire Acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

9. In the case of any redemption of this Note as provided in Section 6, 7 or 8 of this Note, notice of redemption of this Note shall be transmitted to the Holder at its address as it shall then appear in the Note Register. If by reason of any cause, it shall be impracticable to give notice to the Holder in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Company or by the Trustee on behalf of and at the instruction of the Company shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice of redemption given to the Holder of any other Note shall affect the sufficiency of any notice with respect to this Note. Notice of redemption of this Note having been so given, this Note shall become due and payable on the redemption date so specified and such dates shall be deemed the maturity date of this Note.

10. The Company shall, on or before each due date of the principal of or interest on this Note, pay to the Trustee, who shall hold the same in trust for the benefit of the person entitled thereto, a sum sufficient to pay the principal or interest so becoming due until such sum shall be paid to such person or otherwise disposed of as herein provided. Any money held by the Trustee in trust for the payment of the principal of or interest on this Note and remaining unclaimed for two years after such principal or interest has become due and payable and paid to the Trustee shall be discharged from such trust, and repaid to the Company, and all liability of the Trustee with respect to such money shall cease.

11. If this Note shall at any time become mutilated, destroyed, stolen or lost, then, provided that this Note, or evidence of the destruction, theft or loss hereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required hereunder) shall be delivered to the Trustee, a replacement Note of like tenor and principal amount shall be authenticated and delivered by the Trustee, in exchange for this Note, in the case of mutilation, or in lieu of this Note, in the case of destruction, loss or theft, and provided further that, if this Note is destroyed, stolen or lost, (i) neither the Company nor the Trustee shall have received notice that this Note has been acquired by a bona fide purchaser, and (ii) the Trustee shall have received (a) satisfactory evidence (as so deemed by the Trustee in its absolute discretion) that this Note was destroyed, stolen or lost, and (b) an indemnity for the benefit of the Company and the Trustee satisfactory to each of them. All expenses and charges associated with procuring such indemnity shall be borne by the Holder of this Note.

As provided in the Indenture, every new Note issued in exchange for or in lieu of any mutilated, destroyed, stolen or lost Note shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, stolen or lost Note shall be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture equally and proportionately with any and all other Notes duly issued thereunder. Any such new Note shall be so dated that neither gain nor loss of interest shall result from such replacement. Upon the issuance of any such new Note, the Company may require the payment of a sum sufficient to cover any stamp or other tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

12. All notices to the Company under this Note shall be in writing and addressed to the Company at Takeda Pharmaceutical Company Limited, 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo 103-8668, Japan Attention: Global Treasury & Finance Management, Group Finance & Controlling, Global Finance, or to such other address as the Company may notify to the Holder. All notices to the Holder shall be in writing and sent by mail or emailed, in PDF format to the Holder at his or its address as set forth in the Note Register.

13. This Note is one of the ●³⁸% Senior Notes due ●³⁹ (collectively, the “Notes” and, individually, a “Note”) issued by the Company in accordance with the Indenture, copies of which are on file and available for inspection at the Corporate Trust Office. Under the terms of the Indenture, the Company may remove any Trustee and appoint a new Trustee. The Company shall notify, or cause the Trustee to notify, the Holders of Notes of the appointment of any Trustee.

The Notes are issuable only as fully registered Notes without coupons in denominations of \$200,000 or integral multiples of \$1,000 in excess thereof.

14. Article VIII of the Indenture, which provides for amendments to the Indenture and the Notes, is hereby incorporated *mutatis mutandis* by reference herein.

15. Subject to the authentication of this Note by the Trustee, the Company hereby certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Note, and to constitute the same a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, have been done and performed and have happened in due and strict compliance with all applicable law.

16. Claims for payment of principal in respect of this Note shall be prescribed upon the expiry of 6 years from any redemption date and claims for payment of interest (if any) in respect of this Note shall be prescribed upon the expiry of 5 years from the due date hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

³⁸ 3.800 for the 2020 Notes; 4.000 for the 2021 Notes; 4.400 for the 2023 Notes; and 5.000 for the 2028 Notes.

³⁹ 2020 for the 2020 Notes; 2021 for the 2021 Notes; 2023 for the 2023 Notes; and 2028 for the 2028 Notes.

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM RULE 144A GLOBAL
NOTE TO REGULATION S GLOBAL NOTE
(Transfers Pursuant to Section 2.6(e) of the Indenture)

MUFG Union Bank, N.A.
as Trustee
1251 Avenue of the Americas, 19th Floor
New York, New York 10020

Re: Takeda Pharmaceutical Company Limited
●% Senior Notes due ●

Reference is hereby made to the Indenture dated as of November 26, 2018 (the “**Indenture**”) between Takeda Pharmaceutical Company Limited (the “**Company**”) and MUFG Union Bank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to \$● principal amount of ●% Senior Notes due ● which are evidenced by one or more Rule 144A Global Notes (CUSIP No. ●⁴⁰; ISIN ●⁴¹; Common Code ●⁴²) and held with DTC in the name of [*insert name of transferor*] (the “**Transferor**”). The Transferor has requested a transfer of such beneficial interest in the Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Regulation S Global Notes (CUSIP No. ●⁴³; ISIN ●⁴⁴; Common Code ●⁴⁵).

In connection with such request and in respect of such Notes, the Transferor hereby certifies that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Notes and (i) that, with respect to transfer made in reliance on Regulation S (“**Regulation S**”) under the U. S. Securities Act of 1933, as amended (the “**Securities Act**”):

(a) the offer of the Notes was made to a person other than a “U.S. Person” (as defined in Regulation S);

(b) either:

(1) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

⁴⁰ 874060AK2 for the 2020 Notes, 874060AN6 for the 2021 Notes; 874060AR7 for the 2023 Notes; and 874060AU0 for the 2028 Notes.

⁴¹ US874060AK27 for the 2020 Notes, US874060AN65 for the 2021 Notes; US874060AR79 for the 2023 Notes; and US874060AU09 for the 2028 Notes.

⁴² 190258220 for the 2020 Notes, 190257363 for the 2021 Notes; 190258181 for the 2023 Notes; and 190256758 for the 2028 Notes.

⁴³ J8129EAV0 for the 2020 Notes; J8129EAW8 for the 2021 Notes; J8129EAX6 for the 2023 Notes; and J8129EAY4 for the 2028 Notes.

⁴⁴ USJ8129EAV05 for the 2020 Notes; USJ8129EAW87 for the 2021 Notes; USJ8129EAX60 for the 2023 Notes; and USJ8129EAY44 for the 2028 Notes.

⁴⁵ 190257380 for the 2020 Notes; 190256782 for the 2021 Notes; 190257347 for the 2023 Notes; and 190258165 for the 2028 Notes.

(2) the transaction was executed in, on or through the facilities of a designated offshore securities market described in paragraph (b) of Rule 902 of Regulation S and neither the Transferor nor any person acting on its behalf knows that the transaction was pre-arranged with a buyer in the United States;

- (c) no directed selling efforts have been made in contravention of the requirements of Rule 903 or 904 of Regulation S, as applicable;
- (d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act;
- (e) the Transferor has advised the transferee of the transfer restrictions applicable in the Notes;
- (f) if the Transferor is a dealer in securities or has received a selling concession, fee or other remuneration in respect of the Notes and the transfer is to occur prior to the expiration of the restricted period then the requirements of Rule 904(b)(1) of Regulation S have been satisfied;

AND (II) THAT, WITH RESPECT TO TRANSFERS MADE IN RELIANCE OF RULE 144 UNDER THE SECURITIES ACT, THE TRANSFEROR HAS HELD THE INTEREST IN RULE 144A GLOBAL NOTES TO BE EXCHANGED BEYOND THE EXPIRATION OF THE APPLICABLE HOLDING PERIOD SET FORTH IN RULE 144(D)(1) AND THE TRANSFEROR IS NOT AND HAS NOT BEEN AN AFFILIATE (AS DEFINED IN RULE 144) OF THE COMPANY DURING THE PRECEDING THREE MONTHS.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the initial purchasers.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____, ____

cc: Takeda Pharmaceutical Company Limited

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM REGULATION S GLOBAL
NOTE TO RULE 144A GLOBAL NOTE
(Transfers Pursuant to Section 2.6(f) of the Indenture)

MUFG Union Bank, N.A.
as Trustee
1251 Avenue of the Americas, 19th Floor
New York, New York 10020

Re: Takeda Pharmaceutical Company Limited
●% Senior Notes due ●

Reference is hereby made to the Indenture dated as of November 26, 2018 (the “**Indenture**”) between Takeda Pharmaceutical Company Limited (the “**Company**”) and MUFG Union Bank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to \$● principal amount of ●% Senior Notes due ● which are evidenced by one or more Regulation S Global Notes (CUSIP No. ●⁴⁶; ISIN ●⁴⁷; Common Code ●⁴⁸) and held with DTC in the name of [*insert name of transferor*] (the “**Transferor**”). The Transferor has requested a transfer of such beneficial interest in Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Rule 144A Global Notes (CUSIP No. ●⁴⁹; ISIN ●⁵⁰; Common Code ●⁵¹).

In connection with such request and in respect of such Notes, the Transferor hereby certifies that (i) such Notes are being transferred to a transferee that the Transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U. S. Securities Act of 1933, as amended, purchasing the Notes for its own account (or for the account of one or more qualified institutional buyers over which account the transferee exercises sole investment discretion), (ii) it has notified the transferee of the transfer restrictions applicable to the Notes and (iii) the transfer is in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction.

⁴⁶ J8129EAV0 for the 2020 Notes; J8129EAW8 for the 2021 Notes; J8129EAX6 for the 2023 Notes; and J8129EAY4 for the 2028 Notes.

⁴⁷ USJ8129EAV05 for the 2020 Notes; USJ8129EAW87 for the 2021 Notes; USJ8129EAX60 for the 2023 Notes; and USJ8129EAY44 for the 2028 Notes.

⁴⁸ 190257380 for the 2020 Notes; 190256782 for the 2021 Notes; 190257347 for the 2023 Notes; and 190258165 for the 2028 Notes.

⁴⁹ 874060AK2 for the 2020 Notes, 874060AN6 for the 2021 Notes; 874060AR7 for the 2023 Notes; and 874060AU0 for the 2028 Notes.

⁵⁰ US874060AK27 for the 2020 Notes, US874060AN65 for the 2021 Notes; US874060AR79 for the 2023 Notes; and US874060AU09 for the 2028 Notes.

⁵¹ 190258220 for the 2020 Notes, 190257363 for the 2021 Notes; 190258181 for the 2023 Notes; and 190256758 for the 2028 Notes.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the initial purchasers, if any, of the Notes being transferred.

[Insert Name of Transferor]

By: _____

Name:

Title:

Dated: _____, _____

cc: Takeda Pharmaceutical Company Limited

FORM OF OFFICER'S CERTIFICATE AS TO DEFAULT
(Pursuant to Section 9.4 of the Indenture)

[Date]

MUFG Union Bank, N.A.
as Trustee
1251 Avenue of the Americas, 19th Floor
New York, New York 10020

Re: Takeda Pharmaceutical Company Limited
3.800% Senior Notes due 2020
4.000% Senior Notes due 2021
4.400% Senior Notes due 2023
5.000% Senior Notes due 2028
(collectively, the "Notes")

Reference is hereby made to the Indenture dated as of November 26, 2018 (the "Indenture") between Takeda Pharmaceutical Company Limited (the "Company") and MUFG Union Bank, N.A., as Trustee relating to the issuance of the Notes. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

I, [name], [title] of the Company, in such capacity, do hereby certify, pursuant to Section 9.4 of the Indenture, that to my knowledge as at [●], [the Company is in compliance with all conditions and covenants under the Indenture / the Company has not complied with its following obligation[s] under the Indenture]:

[insert details]

IN WITNESS WHEREOF, I have hereunto signed my name as of [●].

Takeda Pharmaceutical Company Limited

By: _____
Name:
Title:

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT dated November 26, 2018 (this “Agreement”) is entered into by and among Takeda Pharmaceutical Company Limited, a joint stock corporation organized under the laws of Japan (the “Company”), and J.P. Morgan Securities LLC (“J.P. Morgan”), SMBC Nikko Securities America, Inc., Morgan Stanley MUFG Securities Co., Ltd., Mizuho Securities USA LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representatives of the several initial purchasers named in Schedule A to the Purchase Agreement (as defined below) (the “Initial Purchasers”).

The Company and the Initial Purchasers are parties to the purchase agreement dated November 19, 2018 (the “Purchase Agreement”), which provides for the sale by the Company to the Initial Purchasers of the Company’s \$1,000,000,000 3.800% Senior Notes due 2020, \$1,250,000,000 4.000% Senior Notes due 2021, \$1,500,000,000 4.400% Senior Notes due 2023 and \$1,750,000,000 5.000% Senior Notes due 2028 (collectively, the “Securities”). As an inducement to the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

“Business Day” shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, London or Tokyo are authorized or required by law to remain closed.

“Company” shall have the meaning set forth in the preamble and shall also include the Company’s successors.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

“Exchange Dates” shall have the meaning set forth in Section 2(a)(ii) hereof.

“Exchange Offer” shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2(a) hereof.

“Exchange Offer Registration” shall mean a registration under the Securities Act effected pursuant to Section 2(a) hereof.

“Exchange Offer Registration Statement” shall mean an exchange offer registration statement on Form F-4 (or, if applicable, on another appropriate form) and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein or deemed a part thereof, all exhibits thereto and any document incorporated by reference therein.

“Exchange Securities” shall mean senior notes issued by the Company under the Indenture containing terms identical to the Securities (except that the Exchange Securities will not be subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with this Agreement) and to be offered to Holders of Securities in exchange for Securities pursuant to the Exchange Offer.

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“Free Writing Prospectus” means each free writing prospectus (as defined in Rule 405 under the Securities Act) prepared by or on behalf of the Company or used or referred to by the Company in connection with the sale of the Securities or the Exchange Securities.

“Holders” shall mean the Initial Purchasers, for so long as they own any Registrable Securities, and each of their successors, assigns and direct and indirect transferees who become owners of Registrable Securities under the Indenture, in each case for so long as such person owns Registrable Securities; provided that, for purposes of Section 4 and Section 5 hereof, the term “Holders” shall include Participating Broker-Dealers.

“Indemnified Person” shall have the meaning set forth in Section 5(c) hereof.

“Indemnifying Person” shall have the meaning set forth in Section 5(c) hereof.

“Indenture” shall mean the Indenture relating to the Securities dated as of November 26, 2018 between the Company and MUFG Union Bank, N.A., as trustee, and as the same may be amended from time to time in accordance with the terms thereof.

“Initial Purchasers” shall have the meaning set forth in the preamble.

“Inspector” shall have the meaning set forth in Section 3(a)(xiv) hereof.

“Issuer Information” shall have the meaning set forth in Section 5(a) hereof.

“J.P. Morgan” shall have the meaning set forth in the preamble.

“Majority Holders” shall mean the Holders of a majority of the aggregate principal amount of the outstanding Registrable Securities; provided that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, any Registrable Securities owned directly or indirectly by the Company or any of its affiliates shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage or amount; and provided, further, that if the Company shall issue any additional Securities under the Indenture prior to consummation of the Exchange Offer or, if applicable, the effectiveness of any Shelf Registration Statement, such additional Securities and the Registrable Securities to which this Agreement relates shall be treated together as one class for purposes of determining whether the consent or approval of Holders of a specified percentage of Registrable Securities has been obtained.

“Notice and Questionnaire” shall mean a notice of registration statement and selling security holder questionnaire distributed to a Holder by the Company upon receipt of a Shelf Request from such Holder.

“Participating Broker-Dealers” shall have the meaning set forth in Section 4(a) hereof.

“Participating Holder” shall mean any Holder of Registrable Securities that has returned a completed and signed Notice and Questionnaire to the Company in accordance with Section 2(b) hereof.

“Person” shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

“Prospectus” shall mean the prospectus included in, or, pursuant to the rules and regulations of the Securities Act, deemed a part of, a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to such prospectus, and in each case including any document incorporated by reference therein.

“Purchase Agreement” shall have the meaning set forth in the preamble.

“Registrable Securities” shall mean the Securities; provided that the Securities shall cease to be Registrable Securities (i) when a Registration Statement with respect to such Securities has become effective

under the Securities Act and such Securities have been exchanged or disposed of pursuant to such Registration Statement, (ii) when such Securities cease to be outstanding or (iii) except in the case of Securities that otherwise remain Registrable Securities and that are held by an Initial Purchaser and that are ineligible to be exchanged in the Exchange Offer, when the Exchange Offer is consummated.

“Registration Default” shall mean the occurrence of any of the following: (i) the Company has not filed the Exchange Offer Registration Statement on or before the Target Registration Date, (ii) the Shelf Registration Statement, if required pursuant to Section 2(b)(i) or Section 2(b)(ii) hereof, has not become effective on or prior to 90 days after such Shelf Registration Statement filing obligation arises pursuant to Section 2(b)(i) or 2(b)(ii), (iii) if the Company receives a Shelf Request pursuant to Section 2(b)(iii), the Shelf Registration Statement required to be filed thereby has not become effective by the later of (a) the 60th day following the Target Registration Date and (b) 90 days after delivery of such Shelf Request, (iv) the Shelf Registration Statement, if required by this Agreement, has become effective and thereafter ceases to be effective or the Prospectus contained therein ceases to be usable, in each case whether or not permitted by this Agreement, at any time during the Shelf Effectiveness Period, and such failure to remain effective or usable exists for more than 45 days (whether or not consecutive) in any 12-month period or (v) the Shelf Registration Statement, if required by this Agreement, has become effective and thereafter, on more than two occasions in any 12-month period during the Shelf Effectiveness Period, the Shelf Registration Statement ceases to be effective or the Prospectus contained therein ceases to be usable, in each case whether or not permitted by this Agreement.

“Registration Expenses” shall mean any and all expenses incident to performance of or compliance by the Company with this Agreement, including without limitation: (i) all SEC, stock exchange or FINRA registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws (including reasonable fees and disbursements of counsel for any Underwriters or Holders in connection with blue sky qualification of any Exchange Securities or Registrable Securities), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any Free Writing Prospectus and any amendments or supplements thereto, any underwriting agreements, securities sales agreements or other similar agreements and any other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) all fees and disbursements relating to the qualification of the Indenture under applicable securities laws and (vi) the fees and disbursements of the Trustee and its counsel, (vii) the fees and disbursements of counsel for the Company.

“Registration Statement” shall mean any registration statement of the Company that covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement and all amendments and supplements to any such registration statement, including post-effective amendments, in each case including the Prospectus contained therein or deemed a part thereof, all exhibits thereto and any document incorporated by reference therein.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities” shall have the meaning set forth in the preamble.

“Securities Act” shall mean the Securities Act of 1933, as amended from time to time.

“Shelf Effectiveness Period” shall have the meaning set forth in Section 2(b) hereof.

“Shelf Registration” shall mean a registration effected pursuant to Section 2(b) hereof.

“Shelf Registration Statement” shall mean a “shelf” registration statement of the Company that covers all or a portion of the Registrable Securities (but no other securities unless approved by a majority in aggregate principal amount of the Securities held by the Participating Holders) on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and

supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein or deemed a part thereof, all exhibits thereto and any document incorporated by reference therein.

“Shelf Request” shall have the meaning set forth in Section 2(b) hereof.

“Staff” shall mean the staff of the SEC.

“Target Registration Date” shall mean August 23, 2019.

“Trust Indenture Act” shall mean the Trust Indenture Act of 1939, as amended from time to time.

“Trustee” shall mean the trustee with respect to the Securities under the Indenture.

“Underwriter” shall have the meaning set forth in Section 3(e) hereof.

“Underwritten Offering” shall mean an offering in which Registrable Securities are sold to an Underwriter for reoffering to the public.

2. Registration Under the Securities Act. (a) To the extent not prohibited by any applicable law, regulation or applicable interpretations of the Staff, the Company shall use its reasonable best efforts to (x) cause to be filed an Exchange Offer Registration Statement covering an offer to the Holders to exchange all the Registrable Securities for Exchange Securities and (y) have such Registration Statement become and remain effective until 180 days after the last Exchange Date for use by one or more Participating Broker-Dealers. The Company shall commence the Exchange Offer promptly after the Exchange Offer Registration Statement is declared effective by the SEC and use its reasonable best efforts to complete the Exchange Offer not later than 60 days after such effective date.

The Company shall commence the Exchange Offer by mailing the related Prospectus, appropriate letters of transmittal and other accompanying documents to each Holder stating, in addition to such disclosures as are required by applicable law (including the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan) or necessary for the Exchange Securities to qualify for an exemption from Japanese withholding tax, substantially the following:

- (i) that the Exchange Offer is being made pursuant to this Agreement and that all Registrable Securities validly tendered and not properly withdrawn will be accepted for exchange;
- (ii) the dates of acceptance for exchange (which shall be a period of at least 20 Business Days from the date such notice is mailed) (the “Exchange Dates”);
- (iii) that any Registrable Security not tendered will remain outstanding and continue to accrue interest but will not retain any rights under this Agreement, except as otherwise specified herein;
- (iv) that any Holder electing to have a Registrable Security exchanged pursuant to the Exchange Offer will be required to (A) surrender such Registrable Security, together with the appropriate letters of transmittal, to the institution and at the address and in the manner specified in the notice, or (B) effect such exchange otherwise in compliance with the applicable procedures of the depository for such Registrable Security, in each case prior to the close of business on the last Exchange Date; and
- (v) that any Holder will be entitled to withdraw its election, not later than the close of business on the last Exchange Date, by (A) sending to the institution and at the address specified in the notice, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable

Securities delivered for exchange and a statement that such Holder is withdrawing its election to have such Securities exchanged or (B) effecting such withdrawal in compliance with the applicable procedures of the depository for the Registrable Securities.

As a condition to participating in the Exchange Offer, a Holder will be required to represent to the Company that (1) any Exchange Securities to be received by it will be acquired in the ordinary course of its business, (2) at the time of the commencement of the Exchange Offer it has no arrangement or understanding with any Person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Securities in violation of the provisions of the Securities Act, (3) it is not an “affiliate” (within the meaning of Rule 405 under the Securities Act) of the Company and (4) if such Holder is a broker-dealer that will receive Exchange Securities for its own account in exchange for Registrable Securities that were acquired as a result of market-making or other trading activities, then such Holder will deliver a Prospectus (or, to the extent permitted by law, make available a Prospectus to purchasers) in connection with any resale of such Exchange Securities. A Holder will also be required to make any representations to the Company that are necessary for the Company to comply with applicable laws and regulations, including the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, or that are necessary for the Exchange Securities to qualify for an exemption from Japanese withholding tax.

As soon as practicable after the last Exchange Date, the Company shall:

- (I) accept for exchange Registrable Securities or portions thereof validly tendered and not properly withdrawn pursuant to the Exchange Offer; and
- (II) deliver, or cause to be delivered, to the Trustee for cancellation all Registrable Securities or portions thereof so accepted for exchange by the Company and issue, and cause the Trustee to authenticate and deliver to each Holder, Exchange Securities equal in principal amount to the principal amount of the Registrable Securities tendered by such Holder.

The Company shall use its reasonable best efforts to complete the Exchange Offer as provided above and shall comply with the applicable requirements of the Securities Act, the Exchange Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and other applicable laws and regulations in connection with the Exchange Offer. The Exchange Offer shall not be subject to any conditions, other than those necessary for the Exchange Offer or the Company to comply with any applicable laws and regulations, including the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, or applicable interpretations of the Staff and those necessary for the Exchange Securities to qualify for an exemption from Japanese withholding tax.

(b) In the event that (i) the Company determines that the Exchange Offer Registration provided for in Section 2(a) hereof is not available or the Exchange Offer may not be completed as soon as practicable after the last Exchange Date because it would violate any applicable law or applicable interpretations of the Staff or because it would not be possible to conduct the Exchange Offer in a manner in which the Exchange Securities would qualify for an exemption from Japanese withholding tax, (ii) the Exchange Offer Registration Statement is not for any other reason filed by the Target Registration Date or (iii) upon receipt of a written request (a “Shelf Request”) from any Initial Purchaser representing that it holds Registrable Securities that are or were ineligible to be exchanged in the Exchange Offer, the Company shall use its reasonable best efforts to cause to be filed as soon as practicable after such determination, date or Shelf Request, as the case may be, a Shelf Registration Statement providing for the sale of all the Registrable Securities by the Holders thereof and to have such Shelf Registration Statement become effective; provided that no Holder will be entitled to have any Registrable Securities included in any Shelf Registration Statement, or entitled to use the prospectus forming a part of such Shelf Registration Statement, until such Holder shall have delivered a completed and signed Notice and Questionnaire and provided such other information regarding such Holder to the Company as is contemplated by Section 3(b) hereof.

In the event that the Company is required to file a Shelf Registration Statement pursuant to clause (iii) of the preceding sentence, the Company shall use its reasonable best efforts to file and have become effective both an Exchange Offer Registration Statement pursuant to Section 2(a) hereof with respect to all Registrable Securities and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by the Initial Purchasers after completion of the Exchange Offer.

The Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective until the Securities cease to be Registrable Securities (the “Shelf Effectiveness Period”). The Company further agrees to supplement or amend the Shelf Registration Statement, the related Prospectus and any Free Writing Prospectus if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder or if reasonably requested by a Holder of Registrable Securities with respect to information relating to such Holder, and to use its reasonable best efforts to cause any such amendment to become effective, if required, and such Shelf Registration Statement, Prospectus or Free Writing Prospectus, as the case may be, to become usable as soon as thereafter practicable. The Company agrees to furnish to the Participating Holders copies of any such supplement or amendment promptly after its being used or filed with the SEC.

(c) The Company shall pay all Registration Expenses in connection with any registration pursuant to Section 2(a) or Section 2(b) hereof. Each Holder shall pay all underwriting discounts and commissions, brokerage commissions and transfer taxes, if any, relating to the sale or disposition of such Holder’s Registrable Securities pursuant to the Shelf Registration Statement.

(d) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof will not be deemed to have become effective unless it has been declared effective by the SEC. A Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC or is automatically effective upon filing with the SEC as provided by Rule 462 under the Securities Act.

If a Registration Default occurs, the interest rate on the Registrable Securities will be increased by (i) 0.25% per annum for the first 90-day period beginning on the day immediately following such Registration Default and (ii) an additional 0.25% per annum with respect to each subsequent 90-day period, in each case until and including the date such Registration Default ends, up to a maximum increase of 1.00% per annum. A Registration Default ends when the Securities cease to be Registrable Securities or, if earlier, (1) in the case of a Registration Default under clause (i) of the definition thereof, when the Exchange Offer Registration Statement is filed with the U.S. Securities and Exchange Commission, (2) in the case of a Registration Default under clause (ii) or clause (iii) of the definition thereof, when the Shelf Registration Statement becomes effective or (3) in the case of a Registration Default under clause (iv) or clause (v) of the definition thereof, when the Shelf Registration Statement again becomes effective or the Prospectus again becomes usable. If at any time more than one Registration Default has occurred and is continuing, then, until the next date that there is no Registration Default, the increase in interest rate provided for by this paragraph shall apply as if there occurred a single Registration Default that begins on the date that the earliest such Registration Default occurred and ends on such next date that there is no Registration Default.

(e) Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Section 2(a) and Section 2(b) hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company’s obligations under Section 2(a) and Section 2(b) hereof.

3. Registration Procedures. (a) In connection with its obligations pursuant to Section 2(a) and Section 2(b) hereof, the Company shall as expeditiously as possible:

(i) prepare and file with the SEC a Registration Statement on the appropriate form under the Securities Act, which form (A) shall be selected by the Company, (B) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the Holders thereof and (C) shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith; and use its reasonable best efforts to cause such Registration Statement to become effective and remain effective for the applicable period in accordance with Section 2 hereof;

(ii) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period in accordance with Section 2 hereof and cause each Prospectus to be supplemented by any required prospectus supplement and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act; and keep each Prospectus current during the period described in Section 4(3) of and Rule 174 under the Securities Act that is applicable to transactions by brokers or dealers with respect to the Registrable Securities or Exchange Securities;

(iii) to the extent any Free Writing Prospectus is used, file with the SEC any Free Writing Prospectus that is required to be filed by the Company with the SEC in accordance with the Securities Act and to retain any Free Writing Prospectus not required to be filed;

(iv) in the case of a Shelf Registration, furnish to each Participating Holder, to counsel for the Initial Purchasers, to counsel for such Participating Holders and to each Underwriter of an Underwritten Offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, preliminary prospectus or Free Writing Prospectus, and any amendment or supplement thereto, as such Participating Holder, counsel or Underwriter may reasonably request in order to facilitate the sale or other disposition of the Registrable Securities thereunder; and, subject to Section 3(c) hereof, the Company consents to the use of such Prospectus, preliminary prospectus or such Free Writing Prospectus and any amendment or supplement thereto in accordance with applicable law by each of the Participating Holders and any such Underwriters in connection with the offering and sale of the Registrable Securities covered by and in the manner described in such Prospectus, preliminary prospectus or such Free Writing Prospectus or any amendment or supplement thereto in accordance with applicable law;

(v) use its reasonable best efforts to register or qualify the Registrable Securities under all applicable state securities or blue sky laws of such jurisdictions as any Participating Holder shall reasonably request in writing by the time the applicable Registration Statement becomes effective; cooperate with such Participating Holders in connection with any filings required to be made with FINRA; and do any and all other acts and things that may be reasonably necessary or advisable to enable each Participating Holder to complete the disposition in each such jurisdiction of the Registrable Securities owned by such Participating Holder; provided that the Company shall not be required to (1) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (2) file any general consent to service of process in any such jurisdiction or (3) subject itself to taxation in any such jurisdiction if it is not so subject;

(vi) notify counsel for the Initial Purchasers and, in the case of a Shelf Registration, notify each Participating Holder and counsel for such Participating Holders promptly and, if requested by any such Participating Holder or counsel, confirm such advice in writing (1) when a Registration Statement has become effective, when any post-effective amendment thereto has been filed and becomes effective, when any Free Writing Prospectus has been filed or any amendment or supplement to the Prospectus or any Free Writing Prospectus has been filed, (2) of any request by the SEC or any state securities authority for amendments and supplements to a Registration Statement, Prospectus or any Free Writing Prospectus or for additional information

after the Registration Statement has become effective, (3) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, including the receipt by the Company of any notice of objection of the SEC to the use of a Shelf Registration Statement or any post-effective amendment thereto pursuant to Rule 401(g)(2) under the Securities Act, (4) if, between the applicable effective date of a Shelf Registration Statement and the closing of any sale of Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to an offering of such Registrable Securities cease to be true and correct in all material respects or if the Company receives any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose, (5) of the happening of any event during the period a Registration Statement is effective that makes any statement made in such Registration Statement or the related Prospectus or any Free Writing Prospectus untrue in any material respect or that requires the making of any changes in such Registration Statement or Prospectus or any Free Writing Prospectus in order to make the statements therein not misleading and (6) of any determination by the Company that a post-effective amendment to a Registration Statement or any amendment or supplement to the Prospectus or any Free Writing Prospectus would be appropriate;

(vii) use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement or, in the case of a Shelf Registration, the resolution of any objection of the SEC pursuant to Rule 401(g)(2) under the Securities Act, including by filing an amendment to such Registration Statement on the proper form, at the earliest possible moment and provide immediate notice to each Holder or Participating Holder of the withdrawal of any such order or such resolution;

(viii) in the case of a Shelf Registration, furnish to each Participating Holder, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto (without any documents incorporated therein by reference or exhibits thereto, unless requested);

(ix) in the case of a Shelf Registration, cooperate with the Participating Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends and enable such Registrable Securities to be issued in such denominations and registered in such names (consistent with the provisions of the Indenture) as such Participating Holders may reasonably request at least one Business Day prior to the closing of any sale of Registrable Securities;

(x) upon the occurrence of any event contemplated by Section 3(a)(vi)(5) hereof, use its reasonable best efforts to prepare and file with the SEC a supplement or post-effective amendment to the applicable Exchange Offer Registration Statement or Shelf Registration Statement or the related Prospectus or any Free Writing Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered (or, to the extent permitted by law, made available) to purchasers of the Registrable Securities, such Prospectus or Free Writing Prospectus, as the case may be, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Company shall notify the Participating Holders (in the case of a Shelf Registration Statement) and the Initial Purchasers and any Participating Broker-Dealers known to the Company (in the case of an Exchange Offer Registration Statement) to suspend use of the Prospectus or any Free Writing Prospectus as promptly as practicable after the occurrence of such an event, and such Participating Holders, such Participating Broker-Dealers and the Initial Purchasers, as applicable, hereby agree to suspend use of the Prospectus or any Free Writing Prospectus, as the case may be, until the Company has amended or supplemented the Prospectus or the Free Writing Prospectus, as the case may be, to correct such misstatement or omission;

(xi) a reasonable time prior to the filing of any Registration Statement, any Prospectus, any Free Writing Prospectus, any amendment to a Registration Statement or amendment or supplement to a Prospectus or a Free Writing Prospectus or of any document that is to be incorporated by reference into a Registration

Statement, a Prospectus or a Free Writing Prospectus after initial filing of a Registration Statement, provide copies of such document to the Initial Purchasers and their counsel (and, in the case of a Shelf Registration Statement, to the Participating Holders and their counsel) and make such of the representatives of the Company as shall be reasonably requested by the Initial Purchasers or their counsel (and, in the case of a Shelf Registration Statement, the Participating Holders or their counsel) available for discussion of such document; and the Company shall not, at any time after initial filing of a Registration Statement, use or file any Prospectus, any Free Writing Prospectus, any amendment of or supplement to a Registration Statement or a Prospectus or a Free Writing Prospectus, or any document that is to be incorporated by reference into a Registration Statement, a Prospectus or a Free Writing Prospectus, of which the Initial Purchasers and their counsel (and, in the case of a Shelf Registration Statement, the Participating Holders and their counsel) shall not have previously been advised and furnished a copy or to which the Initial Purchasers or their counsel (and, in the case of a Shelf Registration Statement, the Participating Holders or their counsel) shall reasonably object;

(xii) obtain a CUSIP number for all Exchange Securities or Registrable Securities, as the case may be, not later than the initial effective date of a Registration Statement;

(xiii) cause the Indenture to be qualified under the Trust Indenture Act in connection with the registration of the Exchange Securities or Registrable Securities, as the case may be; cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the Trust Indenture Act; and execute, and use its reasonable best efforts to cause the Trustee to execute, all documents as may be required to effect such changes and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(xiv) in the case of a Shelf Registration, make available for inspection by a representative of the Participating Holders (an “Inspector”), any Underwriter participating in any disposition pursuant to such Shelf Registration Statement, any attorneys and accountants designated by a majority in aggregate principal amount of the Securities held by the Participating Holders and any attorneys and accountants designated by such Underwriter, at reasonable times and in a reasonable manner, all pertinent financial and other records, documents and properties of the Company and its subsidiaries, and cause the respective officers, directors and employees of the Company to supply all information reasonably requested by any such Inspector, Underwriter, attorney or accountant in connection with a Shelf Registration Statement; provided that if any such information is identified by the Company as being confidential or proprietary, each Person receiving such information shall take such actions as are reasonably necessary to protect the confidentiality of such information to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of any Inspector, Holder or Underwriter);

(xv) in the case of a Shelf Registration, use its reasonable best efforts to cause all Registrable Securities to be listed on any securities exchange or any automated quotation system on which similar securities issued by the Company are then listed if requested by the Majority Holders, to the extent such Registrable Securities satisfy applicable listing requirements;

(xvi) if reasonably requested by any Participating Holder, promptly include in a Prospectus supplement or post-effective amendment such information with respect to such Participating Holder as such Participating Holder reasonably requests to be included therein and make all required filings of such Prospectus supplement or such post-effective amendment as soon as the Company has received notification of the matters to be so included in such filing;

(xvii) in the case of a Shelf Registration, enter into such customary agreements and take all such other actions in connection therewith (including those requested by the Holders of a majority in principal amount of the Registrable Securities covered by the Shelf Registration Statement) in order to expedite or facilitate the disposition of such Registrable Securities including, but not limited to, an Underwritten Offering and in such connection, (1) to the extent possible, make such representations and warranties to the Participating Holders and

any Underwriters of such Registrable Securities with respect to the business of the Company and its subsidiaries and the Registration Statement, Prospectus, any Free Writing Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same if and when requested, (2) obtain opinions of counsel to the Company (which counsel and opinions, in form, scope and substance, shall be reasonably satisfactory to the Participating Holders and such Underwriters and their respective counsel) addressed to each Participating Holder and Underwriter of Registrable Securities, covering the matters customarily covered in opinions requested in underwritten offerings, (3) obtain “comfort” letters from the independent registered public accountants of the Company (and, if necessary, any other registered public accountant of any subsidiary of the Company, or of any business acquired by the Company for which financial statements and financial data are or are required to be included in the Registration Statement) addressed to each Participating Holder (to the extent permitted by applicable professional standards) and Underwriter of Registrable Securities, such letters to be in customary form and covering matters of the type customarily covered in “comfort” letters in connection with underwritten offerings, including but not limited to financial information contained in any preliminary prospectus, Prospectus or Free Writing Prospectus and (4) deliver such documents and certificates as may be reasonably requested by the Holders of a majority in principal amount of the Registrable Securities being sold or the Underwriters, and which are customarily delivered in underwritten offerings, to evidence the continued validity of the representations and warranties of the Company made pursuant to clause (1) above and to evidence compliance with any customary conditions contained in an underwriting agreement; and

(b) In the case of a Shelf Registration Statement, the Company may require each Holder of Registrable Securities to furnish to the Company a Notice and Questionnaire and such other information regarding such Holder and the proposed disposition by such Holder of such Registrable Securities as the Company may from time to time reasonably request in writing.

(c) Each Participating Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(a)(vi)(3) or Section 3(a)(vi)(5) hereof, such Participating Holder will forthwith discontinue disposition of Registrable Securities pursuant to the Shelf Registration Statement until such Participating Holder’s receipt of the copies of the supplemented or amended Prospectus and any Free Writing Prospectus contemplated by Section 3(a)(x) hereof and, if so directed by the Company, such Participating Holder will deliver to the Company all copies in its possession, other than permanent file copies then in such Participating Holder’s possession, of the Prospectus and any Free Writing Prospectus covering such Registrable Securities that is current at the time of receipt of such notice.

(d) If the Company shall give any notice to suspend the disposition of Registrable Securities pursuant to a Registration Statement, the Company shall extend the period during which such Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Holders of such Registrable Securities shall have received copies of the supplemented or amended Prospectus or any Free Writing Prospectus necessary to resume such dispositions. The Company may give any such notice only twice during any 365-day period and any such suspensions shall not exceed 30 days for each suspension and there shall not be more than two suspensions in effect during any 365-day period.

(e) The Participating Holders who desire to do so may sell such Registrable Securities in an Underwritten Offering. In any such Underwritten Offering, the investment bank or investment banks and manager or managers (each an “Underwriter”) that will administer the offering will be selected by the Holders of a majority in principal amount of the Registrable Securities included in such offering.

4. Participation of Broker-Dealers in Exchange Offer. (a) The Staff has taken the position that any broker-dealer that receives Exchange Securities for its own account in the Exchange Offer in exchange for Securities that were acquired by such broker-dealer as a result of market-making or other trading activities (a

“Participating Broker-Dealer”) may be deemed to be an “underwriter” within the meaning of the Securities Act and must deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities.

The Company understands that it is the Staff’s position that if the Prospectus contained in the Exchange Offer Registration Statement includes a plan of distribution containing a statement to the above effect and the means by which Participating Broker-Dealers may resell the Exchange Securities, without naming the Participating Broker-Dealers or specifying the amount of Exchange Securities owned by them, such Prospectus may be delivered by Participating Broker-Dealers (or, to the extent permitted by law, made available to purchasers) to satisfy their prospectus delivery obligation under the Securities Act in connection with resales of Exchange Securities for their own accounts, so long as the Prospectus otherwise meets the requirements of the Securities Act.

(b) In light of the above, and notwithstanding the other provisions of this Agreement, the Company agrees to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement for a period of up to 180 days after the last Exchange Date (as such period may be extended pursuant to Section 3(d) hereof), in order to expedite or facilitate the disposition of any Exchange Securities by Participating Broker-Dealers consistent with the positions of the Staff recited in Section 4(a) above. The Company further agrees that Participating Broker-Dealers shall be authorized to deliver such Prospectus (or, to the extent permitted by law, make available) during such period in connection with the resales contemplated by this Section 4.

(c) The Initial Purchasers shall have no liability to the Company or any Holder with respect to any request that they may make pursuant to Section 4(b) hereof.

5. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Initial Purchaser and each Holder, their respective affiliates, directors and officers and each Person, if any, who controls any Initial Purchaser or any Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (1) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or (2) any untrue statement or alleged untrue statement of a material fact contained in any Prospectus, any Free Writing Prospectus or any “issuer information” (“Issuer Information”) filed or required to be filed pursuant to Rule 433(d) under the Securities Act, or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Initial Purchaser or information relating to any Holder furnished to the Company in writing through J.P. Morgan, SMBC Nikko Securities America, Inc. or Morgan Stanley MUFG Securities Co., Ltd., as representatives of the Initial Purchasers, or any selling Holder, respectively, expressly for use therein. In connection with any Underwritten Offering permitted by Section 3, the Company will also indemnify the Underwriters, if any, selling brokers, dealers and similar securities industry professionals participating in the distribution, their respective affiliates and each Person who controls such Persons (within the meaning of the Securities Act and the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement, any Prospectus, any Free Writing Prospectus or any Issuer Information.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, the Initial Purchasers and the other selling Holders, the directors of the Company, each officer of the Company who signed the Registration Statement and each Person, if any, who controls the Company, any Initial Purchaser and any other selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange

Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Holder furnished to the Company in writing by such Holder expressly for use in any Registration Statement, any Prospectus and any Free Writing Prospectus.

(c) If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such Person (the “Indemnified Person”) shall promptly notify the Person against whom such indemnification may be sought (the “Indemnifying Person”) in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section 5 that the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm (x) for any Initial Purchaser, its affiliates, directors and officers and any control Persons of such Initial Purchaser shall be designated in writing by J.P. Morgan, (y) for any Holder, its directors and officers and any control Persons of such Holder shall be designated in writing by the Majority Holders and (z) in all other cases shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (A) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (B) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) If the indemnification provided for in paragraphs (a) and (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company from the offering of the Securities and the Exchange Securities, on the one hand, and by the Holders from receiving Securities or Exchange Securities registered under the Securities Act, on the other hand, or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company on the one hand and the Holders on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and the Holders on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 5 were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 5, in no event shall a Holder be required to contribute any amount in excess of the amount by which the total price at which the Securities or Exchange Securities sold by such Holder exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 5 are several and not joint.

(f) The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Indemnified Person at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 5 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Initial Purchasers or any Holder or any Person controlling any Initial Purchaser or any Holder, or by or on behalf of the Company or the officers or directors of or any Person controlling the Company, (iii) acceptance of any of the Exchange Securities and (iv) any sale of Registrable Securities pursuant to a Shelf Registration Statement.

(h) For the avoidance of doubt, the Company and each Holder agrees that references to "affiliates" of Morgan Stanley MUFG Securities Co., Ltd. that appears in this Agreement shall be understood to include Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and their respective affiliates.

6. General.

(a) *No Inconsistent Agreements.* The Company represents, warrants and agrees that (i) the rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of any other outstanding securities issued or guaranteed by the Company under any other agreement and (ii) the Company has not entered into, or on or after the date of this Agreement will enter into, any agreement that is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(b) *Amendments and Waivers.* The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or consent; provided that no amendment, modification, supplement, waiver or consent to any departure from the provisions of Section 5 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder. Any amendments, modifications, supplements, waivers or consents pursuant to this Section 6(b) shall be by a writing executed by each of the parties hereto.

(c) *Notices.* All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 6(c), which address initially is, with respect to the Initial Purchasers, the address set forth in the Purchase Agreement; (ii) if to the Company, initially at the Company's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(c); and (iii) to such other persons at their respective addresses as provided in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(c). All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next Business Day if timely delivered to an air courier guaranteeing overnight delivery. Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee, at the address specified in the Indenture.

(d) *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all the terms of this Agreement, and by taking and holding such Registrable Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Company with respect to any failure by a Holder to comply with, or any breach by any Holder of, any of the obligations of such Holder under this Agreement.

(e) *Third Party Beneficiaries.* Each Holder shall be a third party beneficiary to the agreements made hereunder between the Company, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights or the rights of other Holders hereunder.

(f) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) *Headings.* The headings in this Agreement are for convenience of reference only, are not a part of this Agreement and shall not limit or otherwise affect the meaning hereof.

(h) *Governing Law.* This Agreement, and any claim, controversy or dispute arising under or related to this Agreement, shall be governed by and construed in accordance with the laws of the State of New York.

(i) *Consent to Jurisdiction.* The Company irrevocably consents and agrees for the benefit of the holders of the Securities and the Initial Purchasers that any legal action, suit or proceeding against it with respect to its obligations, liabilities or any other matter arising out of or in connection with this Agreement or the Securities may be brought in the courts of the State of New York or the courts of the United States of America located in the Borough of Manhattan, The City of New York and, until all amounts due and to become due in respect of all the Securities have been paid, or until any such legal action, suit or proceeding commenced prior to such payment has been concluded, hereby irrevocably consents and irrevocably submits to the non-exclusive jurisdiction of each such court in person and, generally and unconditionally with respect to any action, suit or proceeding for themselves and in respect of their properties, assets and revenues.

(j) *Appointment of Agent for Service of Process.* The Company hereby irrevocably designates, appoints and empowers Cogency Global Inc. with offices currently at 10 E. 40th Street, 10th Floor, New York, NY 10016 as their designee, appointee and agent to receive, accept and acknowledge for and on their behalf, and their properties, assets and revenues, service of any and all legal process, summons, notices and documents that may be served in any action, suit or proceeding brought against them in any such United States or state court located in the Borough of Manhattan, The City of New York with respect to their obligations, liabilities or any other matter arising out of or in connection with this Agreement or any additional agreement and that may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. If for any reason such designee, appointee and agent hereunder shall cease to be available to act as such, the Company agrees to designate a new designee, appointee and agent in the Borough of Manhattan, The City of New York on the terms and for the purposes of this Section. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any such action, suit or proceeding against them by serving a copy thereof upon the relevant agent for service of process referred to in this Section (whether or not the appointment of such agent shall for any reason prove to be ineffective or such agent shall accept or acknowledge such service) or by mailing copies thereof by registered or certified air mail, postage prepaid, to the Company, at its address specified in or designated pursuant to this Agreement. The Company agrees that the failure of any such designee, appointee and agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall in any way be deemed to limit the ability of the Initial Purchasers to service any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over the Company or bring actions, suits or proceedings against it in such other jurisdictions, and in such manner, as may be permitted by applicable law. The Company hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Agreement or the Securities brought in the United States federal courts located in the Borough of Manhattan, The City of New York or the courts of the State of New York located in the Borough of Manhattan, The City of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The provisions of this clause shall survive any termination of this Agreement, in whole or in part.

(k) *Entire Agreement; Severability.* This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto. If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions, covenants and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated. The Company and the Initial Purchasers shall endeavor in good faith negotiations to replace the invalid, void or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, void or unenforceable provisions.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

TAKEDA PHARMACEUTICAL COMPANY
LIMITED

By /s/ Mitsuhiro Okada
Name: Mitsuhiro Okada
Title: Head of Global Treasury & Finance
Management

Confirmed and accepted as of the date first above written:

J.P. MORGAN SECURITIES LLC

For itself and on behalf of the
several Initial Purchasers

By /s/ Robert Bottamedi
Authorized Signatory

SMBC NIKKO SECURITIES AMERICA, INC.

For itself and on behalf of the
several Initial Purchasers

By /s/ Yoshihiro Satake
Authorized Signatory

MORGAN STANLEY MUFG SECURITIES CO., LTD.

For itself and on behalf of the
several Initial Purchasers

By /s/ Masanori Ogiwara
Authorized Signatory

MIZUHO SECURITIES USA LLC

For itself and on behalf of the
several Initial Purchasers

By /s/ Joseph Santaniello
Authorized Signatory

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

For itself and on behalf of the
several Initial Purchasers

By /s/ Andrew Karp
Authorized Signatory

Loan Agreement

Dated December 3, 2018

between

TAKEDA PHARMACEUTICAL COMPANY LIMITED

and

JAPAN BANK FOR INTERNATIONAL COOPERATION

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THIS AGREEMENT is dated the 3rd day of December, 2018

BETWEEN

TAKEDA PHARMACEUTICAL COMPANY LIMITED, a corporation duly incorporated and existing under the Laws of the Borrower's Country having its principal office at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka, Japan (the "**Borrower**");

AND

JAPAN BANK FOR INTERNATIONAL COOPERATION (with its successors, "**JBIC**").

WHEREAS:

- (A) The Borrower intends to directly or indirectly acquire (the "**Target Acquisition**") pursuant to the Offer Documents or Scheme Documents, as applicable (each as defined below) all of the outstanding shares of the Target which are subject to the Takeover Offer or Scheme (as the case may be), which acquisition will be effected pursuant to a Takeover Offer or Scheme (each as defined below).
- (B) In connection with the Target Acquisition, the Borrower has requested that JBIC extend credit to the Borrower in the form of term loans in an aggregate principal amount not to exceed three billion seven hundred million U.S. Dollars (US\$3,700,000,000) with the proceeds to be applied towards the Certain Funds Purposes.
- (C) JBIC has agreed as to extend a loan facility for the Target Acquisition to the Borrower on the terms and conditions hereinafter set forth.

IT IS AGREED as follows:

1. Definitions

Capitalized terms used in this Agreement have, unless the context otherwise requires, the meanings assigned to them in Attachment 2 (*Definitions*).

2. Facility and Currency

2.1 Facility

JBIC hereby agrees to make available to the Borrower, on and subject to the terms and conditions of this Agreement, a loan facility in U.S. Dollars in an aggregate amount not exceeding three billion seven hundred million U.S. Dollars (US\$ 3,700,000,000) (the "**Facility**").

2.2 Currency

The currency in which the Disbursement and all payments hereunder (other than any payment pursuant to Clause 8.2 (*Other Payment Obligations*)) shall be made is U.S. Dollars (the "**Eligible Currency**") (the Eligible Currency and the Relevant Currency collectively being referred to as the "**Specified Currency**").

3. Use of Proceeds

The entire proceeds disbursed by JBIC hereunder shall be applied by the Borrower solely towards Certain Funds Purposes.

4. Conditions Precedent and Disbursement

4.1 Conditions Precedent Documents

No Disbursement shall be made unless and until JBIC issues a notice to the Borrower that JBIC has received all of the Conditions Precedent Documents provided in Attachment 3 Part 1 (*Condition Precedent Documents*) in form and substance reasonably satisfactory to JBIC (the “**Documents Receipt**”). JBIC shall issue the Documents Receipt to the Borrower promptly after the date on which JBIC receives them.

4.2 Further Conditions to Disbursement

- (a) JBIC may refuse to make the Disbursement if any of the conditions precedent in Attachment 3 Part 2 (*Further Conditions Precedent*) is not satisfied or fulfilled as of the date of the Disbursement.
- (b) During the Certain Funds Period and notwithstanding any other provision to the contrary in the Loan Documents, JBIC shall not, unless a Certain Funds Default has occurred and is continuing or would result from a proposed borrowing or a Certain Funds Representation remains incorrect or, if a Certain Funds Representation does not include a materiality concept, incorrect in any material respect, be entitled to:
 - (i) cancel the Facility or any of its Commitments;
 - (ii) rescind, terminate or cancel the Loan Documents or the Commitments or exercise any similar right or remedy or make or enforce any claim under the Loan Documents it may have to the extent to do so would prevent or limit (A) the making of the Disbursement for Certain Funds Purposes; or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes;
 - (iii) refuse to make the Disbursement for Certain Funds Purposes unless the conditions set out in Attachment 3 Part 1 (*Condition Precedent Documents*) or Attachment 3 Part 2 (*Further Conditions Precedent*) have not been satisfied;
 - (iv) exercise any right of set-off or counterclaim in respect of the Disbursement to the extent to do so would prevent or limit (A) the making of the Disbursement for Certain Funds Purposes; or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes; or
 - (v) cancel, accelerate or cause repayment or prepayment of any amounts owing under any Loan Document to the extent to do so would prevent or limit (A) the making of the Disbursement for Certain Funds Purposes; or (B) the application of amounts standing to the credit of an Escrow Account for Certain Funds Purposes,

provided that immediately upon the expiry of the Certain Funds Period all such rights, remedies and entitlements shall be available to JBIC notwithstanding that they may not have been used or been available for use during the Certain Funds Period.

4.3 Disbursement

The Disbursement shall be made:

- (a) in a single disbursement;
- (b) during the Certain Funds Period;
- (c) subject to the terms and conditions hereof; and
- (d) in accordance with the Disbursement Procedures set forth in Attachment 4 (*Disbursement Procedure*).

The date on which the Disbursement is made shall be the “**Disbursement Date**”. JBIC shall notify the Borrower of the Disbursement Date as soon as practicable upon its occurrence and such notice shall be conclusive and binding.

4.4 Disbursement and Facility

The amount of the Disbursement shall at no time exceed the Facility.

4.5 Termination of Commitment

Unless previously terminated, any Commitments still undrawn shall terminate in full at 5:00 p.m. (Tokyo time) on the earlier of (i) the date on which all of the Certain Funds Purposes have been achieved without the making of the Disbursement, (ii) the date on which the Certain Funds Period terminates and (iii) the Disbursement Date.

5. Repayment

5.1 Repayment of Loan

- (a) The aggregate principal amount disbursed to the Borrower hereunder, and from time to time outstanding, shall be referred to as the “**Loan**.”
- (b) In accordance with the Amortization Schedule provided in Attachment 5 (*Planned Amortization Schedule*) (the “**Planned Amortization Schedule**”), the Borrower shall repay the Loan to JBIC in full in one single instalment on December 11th 2025 (the “**Repayment Date**”), provided that if the said date is not a Business day, the payment shall be made on the following Business Day.

5.2 Arrangement of the Amortization Schedule

- (a) After the Disbursement Date, JBIC will prepare and deliver to the Borrower a notice together with the Amortization Schedule (the “**Amortization Notice**”).
- (b) After JBIC has issued the Amortization Notice, if any amendment of the Amortization Schedule shall be made under this Agreement, JBIC will prepare and deliver to the Borrower a notice together with the revised Amortization Schedule.
- (c) Such Amortization Schedule delivered by JBIC in Paragraph (a) or (b) shall be conclusive in the absence of manifest error.

6. Interest and Overdue Payment

6.1 Interest

6.1.1 Interest

Interest on the Loan for each Interest Period (the “**Interest**”) shall:

- (a) accrue at the Interest Rate; and
- (b) be payable in arrears for each Interest Period on each Interest Payment Date.

6.1.2 Rate of Interest

- (a) The Interest Rate shall be the Floating Rate plus the Margin (the “**Interest Rate**”).
- (b) The Margin shall be zero point six percent (0.6 %) per annum (the “**Margin**”).

6.1.3 Interest Payment Date

- (a) The Interest Payment Dates shall be June 11th and December 11th in each year (each an “**Interest Payment Date**”).
- (b) If any Interest Payment Date would otherwise fall on a day which is not a Business Day, such Interest Payment Date shall be the immediately succeeding Business Day.

6.1.4 Interest Period

The Interest Period shall be the period (x) from and including:

- (a) (in the case of the initial payment of interest with regard to the Disbursement) the day on which the Disbursement is made under this Agreement; or
- (b) (after such initial payment of interest) the immediately preceding Interest Payment Date, and (y) up to and excluding the Interest Payment Date (the “**Interest Period**”).

6.2 Overdue Interest

6.2.1 Overdue Interest

- (a) If the Borrower fails to pay any principal or interest payable under this Agreement on its due date (such overdue amount being the “**Overdue Amount**”), the Borrower shall pay JBIC on demand, to the extent permitted by applicable Law, overdue interest on such Overdue Amount (the “**Overdue Interest**”).
- (b) The Overdue Interest shall accrue:
 - (i) on a day to day basis at the Overdue Interest Rate for the Overdue Period; and
 - (ii) as well after as before judgment in accordance with this Clause.
- (c) Payment of the Overdue Interest by the Borrower shall not prejudice the right of JBIC to exercise any of its other rights or claims hereunder, at law or otherwise, in particular its rights under Clause 12 (*Events of Default*).

6.2.2 Overdue Interest Rate

- (a) The Overdue Interest Rate shall be (x) the Floating Rate plus (y) the Margin plus (z) two percent (2.00%) per annum (the “**Overdue Interest Rate**”).
- (b) Such Overdue Interest Rate shall be:
 - (i) initially determined on the due date of the relevant Overdue Amount; and
 - (ii) as long as such relevant Overdue Amount is outstanding, revised on the same calendar day as the Interest Payment Date (the “**Revision Date**”).
- (c) Upon request by the Borrower, JBIC will promptly notify the Borrower of the Overdue Interest Rate; provided that the Borrower’s obligation to pay such Overdue Interest shall not be conditional upon notification of the relevant rate to the Borrower and such determination by JBIC shall be conclusive in the absence of manifest error.

6.2.3 Overdue Period

The Overdue Period shall be the period (x) from and including the due date of such Overdue Amount (y) up to and excluding the date of actual receipt thereof by JBIC (the “**Overdue Period**”).

6.3 Basis of Calculation

- (a) Any Interest or Overdue Interest in this Clause shall accrue on the basis of a year of 360 days and in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by JBIC of an interest rate hereunder shall be conclusive and binding for all purposes, absent demonstrable error.
- (b) Fractional sums of less than one-hundredth (1/100) of one U.S. Dollar (US \$0.01) shall be disregarded

7. Prepayment

7.1 Voluntary Prepayment

With effect from the date after the first (1st) anniversary of the Disbursement, upon not less than ninety (90) days' prior irrevocable notice in writing to JBIC, the Borrower may prepay all or any part of the Loan each which has been outstanding for a period of at least one year, (x) on a Interest Payment Date or (y) on any other date otherwise approved by JBIC in writing provided that the Borrower shall pay:

- (a) amount of the prepaid principal together with all interest accrued thereon and all other amounts payable hereunder on the date of such prepayment; and
- (b) a prepayment premium of one half of one per cent (0.5%) of the amount of such prepaid principal.

7.2 Mandatory Prepayment

- (a) Each of the following events is a Mandatory Prepayment Event:
 - (i) any change in applicable Law or in the interpretation thereof shall make it unlawful for JBIC:
 - (A) to give effect to or perform its obligations hereunder; or
 - (B) to maintain its Loan or other amounts outstanding hereunder; or
 - (ii) the Borrower is, in the reasonable judgment of JBIC, in breach of Clause 10.3 (*Environmental and Social Conditions*).
- (b) On the occurrence of any Mandatory Prepayment Event, JBIC may (subject to Clause 4.2(b)(*Further Conditions to Disbursement*)), by notice in writing to the Borrower:
 - (i) suspend the Disbursement; and/or
 - (ii) cancel the Unutilized Amount of the Facility; and/or
 - (iii) demand the Borrower to prepay the Loan, together with all interest accrued thereon and all other amounts then payable hereunder (but without any premium).

provided, however, that notice to demand the Borrower's prepayment of the Loan in accordance with item (iii) above shall be issued to the Borrower not less than fifteen (15) days prior to the contemplated prepayment date of the Loan.

7.3 Fixed Date of Prepayment

Once the date for any prepayment in this Clause has been fixed by notice provided in Clauses 7.1 (*Voluntary Prepayment*) and 7.2 (*Mandatory Prepayment*), respectively, such date shall be deemed as the due date for the amounts to be paid.

7.4 Application of Prepaid Amount

The prepaid principal hereunder shall be applied to the repayment installment of the Loan in the inverse order of their maturity provided in the Amortization Schedule.

7.5 Amounts Prepaid

Amounts prepaid pursuant hereto shall not be reborrowed.

8. Manner of Payment and Other Payment Obligations

8.1 Manner of Payment and Account of JBIC

8.1.1 Manner of Payment

- (a) All payments to be made by the Borrower under this Agreement shall be made:
 - (i) in the Specified Currency in accordance with Clause 2.2 (*Currency*);
 - (ii) free and clear of any set-off or counterclaim, or any Tax; and
 - (iii) in immediately available funds to the JBIC's Account not later than 11:00 a.m., Tokyo time, on the due date for payment thereof.
- (b) Any such payment made on such due date but after 11:00 a.m., Tokyo time, shall be deemed to have been made on the immediately succeeding Business Day and the Overdue Interest shall accrue in accordance with provisions hereunder.

8.1.2 Account of JBIC

The JBIC's Account is the bank account in Tokyo designated by JBIC in writing on or about the date of this Agreement.

8.2 Other Payment Obligations

- (a) The Borrower shall pay or cause to be paid or shall indemnify JBIC against:
 - (i) the costs and expenses for obtaining and delivering the opinion(s), and any other documents and evidence submitted as the Conditions Precedent Documents;
 - (ii) any Tax (regardless of deduction or withholding of Tax) and other public charge in connection with the entry into, performance or enforcement of this Agreement (namely, if the Borrower is required to make a payment to JBIC under this Agreement subject to the deduction or withholding of Tax, the sum payable by the Borrower to JBIC shall be increased to the extent necessary to ensure that JBIC receives and retains a net sum equal to the sum which it would have received and retained had no such deduction or withholding been required);
 - (iii) any banking charges or fees incurred in connection with the Disbursement or any payment to JBIC (including any prepayment) under this Agreement; and
 - (iv) all losses, liabilities, reasonable costs and expenses (including reasonable legal fees) incurred in contemplation of, or in connection with:
 - (A) the negotiation, preparation, execution, delivery, administration and implementation of this Agreement and any amendment to, waiver of or consent under this Agreement, or any prepayment at the request of or as a result of a material change in the circumstances of the Borrower; and

- (B) the occurrence of a Default or the enforcement of, or the preservation or perfection of any right of JBIC under this Agreement,

and JBIC shall provide to the Borrower a reasonably detailed statement of the expenses referred to above.

- (b) Without prejudice to the provisions of this Clause above, even if any amount to be paid by the Borrower to any Person other than JBIC under Paragraph (a) includes any Tax, the Borrower shall pay such amount in full, to the extent permitted by applicable Law.
- (c) All amounts payable by the Borrower under this Clause shall be paid in the currency in which any tax, duty, penalty, fee, expense, charge, interest, loss, cost or liability is denominated or, if JBIC so requests, the amount of the same in any other currency at the current rate of exchange specified by JBIC (such denominated currency and other currency, collectively being referred to as the “**Relevant Currency**”).

8.3 Different Currency Receipt

- (a) If:
 - (i) JBIC’s receipt of any amount, tender or recovery (whether pursuant to any judgment or otherwise) is expressed, paid or made in any currency other than the Specified Currency; and
 - (ii) such receipt falls short of the full amount in such Specified Currency when converted by JBIC in their usual foreign exchange practices,the obligation of the Borrower under this Agreement shall not be discharged or satisfied by such receipt to the extent of such sum falling short (the “**Short Value**”).
- (b) The Borrower shall indemnify JBIC against the amount of the Short Value (as a primary obligation enforceable as an alternative or additional cause of action for the purpose of recovery in such Specified Currency), and such indemnity shall not be affected by any judgment obtained for any other sum due under this Agreement.

8.4 Insufficient Payment

If the amount of any payment made by the Borrower is less than the total amount due and payable as of the date on which such payment is actually made, then:

- (a) the Borrower shall be deemed to have waived any right which it may have to make any appropriation hereof; and
- (b) JBIC may apply and appropriate the payment so made in or towards the satisfaction of any or all of the amounts which are due or overdue for payment on such day in the order decided upon by JBIC in its sole discretion.

9. Representations and Warranties

9.1 Representations and Warranties

- (a) The Borrower represents and warrants in this Clause for the benefit of JBIC.
- (b) The Borrower acknowledges that JBIC has entered into this Agreement in reliance on the representations and warranties.

9.1.1 Status of Borrower and its Business

The Borrower is duly organized, validly existing and in good standing (to the extent that such concept exists) under the laws of its jurisdiction of organization.

9.1.2 Power and Internal Authorization

- (a) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, and the completion of the Target Acquisition, (i) are within the Borrower's organizational powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (A) the Borrower's charter, articles of incorporation or by-laws or other organizational documents or (B) any law or regulation binding on or affecting the Borrower or (C) any restriction binding on or affecting the Borrower and (iv) will not result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Consolidated Group (other than Liens created or required to be created pursuant to the terms hereof), except, in the case of subclauses (iii)(B), (iii)(C) and (iv), as would not be reasonably expected to have a Material Adverse Effect.
- (b) The Borrower has full power to own its assets and carry on its business as being conducted at the date of this Agreement.

9.1.3 Public Requirement

No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated hereby, and the completion of the Target Acquisition, other than (i) the Panel, as directed by the Panel pursuant to the requirements of the City Code, anti-trust regulators, as directed by anti-trust regulators, as contemplated by the Scheme Documents or (as the case may be) Takeover Offer Documents or as is obtained by the time required and (ii) the Bank of Japan with respect to post-facto filings that may be required under the Foreign Exchange Act in connection with the performance of this Agreement.

9.1.4 Form and Effect of this Agreement

This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower. This Agreement and the other Loan Documents are legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

9.1.5 No Certain Funds Default

No Certain Funds Default is outstanding or would result from the execution of, the performance of, or any transaction contemplated by, this Agreement.

9.1.6 No Litigation

There is no action, suit, investigation, litigation or proceeding (including, without limitation, any Environmental Action), affecting the Consolidated Group pending or, to the knowledge of the Borrower, threatened before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Consolidated Group taken as a whole (other than the litigation set forth in the Disclosure Letter).

9.1.7 Immunity

Neither the Borrower nor any of its assets has any right of immunity from suit, execution, attachment or other legal process in any legal proceedings in relation to this Agreement.

9.1.8 Environmental Review

- (a) In the ordinary course of its business, the Borrower conducts the Necessary Environmental Review.
- (b) On the basis of the Necessary Environmental Review, the Borrower has reasonably concluded that such liabilities and costs are unlikely to have any Material Adverse Effect.

9.1.9 Relevant Information

- (a) All written information (other than the Projections) concerning the Borrower, the Target and their Subsidiaries and the transactions contemplated hereby or otherwise prepared by or on behalf of the Borrower and its Subsidiaries and furnished to JBIC in connection with the negotiation of, or pursuant to the terms of, this Agreement when taken as a whole (and with respect to information regarding the Target Group, to the Borrower's knowledge), was true and correct in all material respects as of the date when furnished by such Person to JBIC and did not, taken as a whole, when so furnished contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not misleading in light of the circumstances under which such statements were made. The Projections and estimates and information of a general economic nature prepared by or on behalf of the Borrower or its Subsidiaries and that have been furnished by such Person to JBIC in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by such Person to be reasonable as of the date of such Projections (it being understood that actual results may vary materially from the Projections).

9.1.10 Financial Information.

The Borrower has heretofore furnished to JBIC (i) its consolidated balance sheet at March 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended March 31, 2017, in each case reported on by KPMG AZSA LLC, independent public accountants and (ii) the consolidated balance sheet of the Target as December 31, 2017 and the related consolidated statements of operations, shareholders' equity and cash flows for the fiscal year ended December 31, 2017. Such financial statements (to the Borrower's knowledge with respect to the financial statements of the Target) present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Borrower and the Target, as applicable, and their respective consolidated Subsidiaries as of such dates and for such periods in accordance with IFRS and GAAP, as applicable, except as may be indicated in the notes thereto and subject to year-end audit adjustments and the absence of footnotes in the case of unaudited financial statements.

9.1.11 Anti-Corruption / Sanctions / Anti-Social Groups

- (a) The Borrower has implemented and maintains in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and directors and to the knowledge of the Borrower its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (i) the Borrower, any Subsidiary, any of their respective directors or officers or to the knowledge of the Borrower or such Subsidiary employees, or (ii) to the best knowledge of the Borrower, any agent of the Borrower or any agent of any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.
- (b) No Disbursement or use of the proceeds thereof will violate any applicable Anti- Corruption Law or applicable Sanctions.

- (c) The Borrower is not classified, does not belong to nor is it associated with an Anti- Social Group, does not have an Anti-Social Relationship and has not engaged in Anti- Social Conduct, whether directly or indirectly through a third party.

9.1.12 Scheme

- (a) The Borrower has delivered to JBIC a complete and correct copy of the Scheme Documents (if and when issued) or, as the case may be, the Offer Documents (if and when issued), including all schedules and exhibits thereto. The release of the Offer Press Announcement and the posting of the Takeover Offer Documents if a Takeover Offer is pursued has been or will be, prior to their release or posting (as the case may be), duly authorized by the Borrower. Each of the material obligations of the Borrower under the Takeover Offer Documents is or will be, when entered into and delivered, the legal, valid and binding obligation of the Borrower, enforceable against such Persons in accordance with its terms in each case, except as may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the rights and remedies of creditors generally and (ii) general principles of equity.
- (b) The Scheme Press Release and the Scheme Circular (in each case if and when issued) when taken as a whole: (i) except for the information that relates to the Target or the Target Group, do not (or will not if and when issued) contain (to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case)) any statements which are not in accordance with the material facts, or where appropriate, do not omit anything likely to affect the import of such information and (ii) contain all the material terms of the Scheme.
- (c) If the Target Acquisition is effected by way of Scheme, each of the Scheme Documents complies in all material respects with the Jersey Companies Law and the City Code, subject to any applicable waivers by or requirements of the Panel.
- (d) The Borrower is not an EEA Financial Institution.

9.1.13 Margin Stock

Following application of the proceeds of the Disbursement, not more than 25 percent of the value of the assets of the Borrower and of the Consolidated Group, on a Consolidated basis, subject to the provisions of Clause 11.13 (*No Encumbrance*) will be Margin Stock. No part of the proceeds of the Disbursement have been used or will be used for any purpose that entails a violation of any of the regulations of the Board, including Regulations T, U and X of the Board.

9.1.14 ERISA

- (a) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan which would reasonably be expected to have a Material Adverse Effect.
- (b) Neither the Borrower nor any ERISA Affiliate (i) is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan or has incurred any Withdrawal Liability that has not been satisfied in full or (ii) has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or has been determined to be in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA), and no such Multiemployer Plan is reasonably expected to be in reorganization or in “endangered” or “critical” status.

9.1.15 Environmental—operations

- (i) The operations and properties of the Consolidated Group comply, and have complied for the previous three years, in all respects with all applicable Environmental Laws and Environmental Permits except to

the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (ii) all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without any ongoing obligations or costs except to the extent that such non-compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (iii) to the Borrower's knowledge, no circumstances exist that would be reasonably expected to (A) form the basis of an Environmental Action against a member of the Consolidated Group or any of its properties that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

9.1.16 Environmental—properties

(i) None of the properties currently or formerly owned or operated by a member of the Consolidated Group is listed or formally proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list; (ii) to the Borrower's knowledge, there are no, and never have been any, underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed of on any property currently owned or operated by any member of the Consolidated Group or, to the Borrower's knowledge, on any property formerly owned or operated by a member of the Consolidated Group that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (iii) to the Borrower's knowledge, there is no asbestos or asbestos-containing material on any property currently owned or operated by a member of the Consolidated Group the mitigation of which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and (iv) to the Borrower's knowledge, no Hazardous Materials have been released, discharged or disposed of on any property currently or formerly owned, leased or operated by a member of the Consolidated Group for which a member of the Consolidated Group could be expected to be made liable to remediate under Environmental Law except in each case as would not have a Material Adverse Effect.

9.1.17 Environmental—investigation

No member of the Consolidated Group is undertaking either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and, to the Borrower's knowledge, all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by a member of the Consolidated Group, or any offsite locations to which a member of the Consolidated Group sent Hazardous Materials for treatment or disposal, have been disposed of in a manner that, either individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

9.1.18 Investment Company Act

The Borrower is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 (United States), as amended.

9.1.19 Pari passu

The Disbursement and all related obligations of the Borrower under this Agreement rank pari passu with all other unsecured obligations of the Borrower that are not, by their terms, expressly subordinate to the obligations of the Borrower hereunder.

9.1.20 Use of Proceeds

The proceeds of the Disbursement will be used in accordance with Clause 3 (*Use of Proceeds*).

9.2 Times for Making Representations

The representations and warranties set out in this Clause 9 are made by the Borrower on the date of this Agreement, and each representation or warranty is deemed to be repeated by the Borrower on and as of the date of the Disbursement, with reference to the facts then existing.

10. General Undertakings and Environmental and Social Considerations

10.1 “Know your customer” checks

If:

- (a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
- (b) any change in the status of the Borrower (or of a Holding Company of the Borrower) after the date of this Agreement; or
- (c) a proposed assignment or transfer by JBIC of any of its rights and obligations under this Agreement to another person,

obliges JBIC (or, in the case of paragraph (c) above, any prospective assignee or transferee) to comply with applicable “know your customer” and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended) in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of JBIC supply, or procure the supply of, such documentation and other evidence as is reasonably requested by JBIC (for itself or on behalf of any prospective assignee or transferee) in order for the JBIC or, in the case of the event described in paragraph (c) above, any prospective assignee or transferee to carry out and be satisfied it has complied with all applicable “know your customer” and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended) pursuant to the transactions contemplated in the Agreement.

10.2 Notifications

- (a) The Borrower shall immediately notify JBIC if it becomes aware of:
 - (i) the imposition of any Law materially affecting the Borrower or the Target Acquisition; and
 - (ii) any material change in the nature of the business activities of the Consolidated Group, taken as a whole.
- (b) The Borrower shall promptly notify JBIC if it becomes aware of the occurrence of:
 - (i) any event or circumstance which interferes or threatens to interfere with the implementation, completion or operation of the Target Acquisition; and
 - (ii) any other matter which materially affects the corporate or business activities or existence of the Consolidated Group, taken as a whole.
- (c) Immediately upon becoming aware of the occurrence of any Default, the Borrower shall notify JBIC of such Default (and the steps, if any, being taken to remedy it).

10.3 Environmental and Social Considerations

10.3.1 Due Attention

The Borrower shall pay due attention to the protection and conservation of the environment and ecology, including, but not limited to, giving due consideration to such issues as air pollution, water pollution, industrial waste treatment and ecological changes to the environment in connection with the use of the proceeds of the Loan.

10.3.2 Requirements under the JBIC Environmental Guidelines

- (a) The Borrower shall report to JBIC on measures and monitoring related to the Environmental and Social Considerations undertaken by the Borrower in connection with the Target Acquisition in accordance with instructions from JBIC. If, due to unforeseen circumstances, there is a possibility that relevant local environmental laws and standards may not be observed, the Borrower shall promptly report this to JBIC. The Borrower shall furnish to JBIC, at least once a year, a monitoring form on the Target Acquisition in accordance with instructions from JBIC.
- (b) If any problems regarding the Environmental and Social Considerations arise, the Borrower shall make efforts for discussions to be held between the Borrower and stakeholders of the Target Acquisition (including local residents and local non- governmental organizations affected by the Target Acquisition).
- (c) When the government of Ireland (including local governments) has important roles to play in terms of the Environmental and Social Considerations, the Borrower shall endeavor to enter into agreements (including arrangements or other similar form satisfactory to JBIC) with the government (and/or the project proponent).

11. Particular Covenants

11.1 Compliance with Laws, Etc.

The Borrower will:

- (a) Comply, and cause each member of the Consolidated Group to comply, with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, compliance with ERISA and Environmental Laws), except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and
- (b) maintain in effect and enforce policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

11.2 Payment of Taxes, Etc.

Pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon a member of the Consolidated Group or upon the income, profits or property of a member of the Consolidated Group, in each case except to the extent that (i) the amount, applicability or validity thereof is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with applicable accounting standards have been provided or (ii) the failure to pay such taxes, assessments and charges, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

11.3 Maintenance of Insurance

Except where the failure to do so would reasonably be expected to result in a Material Adverse Effect, maintain, and cause each member of the Consolidated Group to maintain, insurance with responsible and reputable insurance companies or associations (or pursuant to self-insurance arrangements) in such amounts (after giving effect to any self-insurance which the Borrower believes (in the good faith judgement of management of the Borrower) is reasonable and prudent in light of the size and nature of its business) and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which any member of the Consolidated Group operates.

11.4 Preservation of Existence, Etc.

Do, or cause to be done, all things necessary to preserve and keep in full force and effect its (i) existence and (ii) rights (charter and statutory) and franchises; provided, however, that the Borrower may consummate any merger or consolidation permitted under Clause 11.15(b); and provided further that the Borrower shall not be required to preserve any such right or franchise if the management of the Borrower shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower and that the loss thereof is not disadvantageous in any material respect to JBIC.

11.5 Visitation Rights

At any reasonable time and from time to time during normal business hours (but not more than once annually if no Default has occurred and is continuing), upon no less than ten (10) days' prior notice to the Borrower, permit JBIC, or any agents or representatives thereof coordinated through JBIC, to examine and make copies of and abstracts from the records and books of account, and visit the properties, of the Consolidated Group, and to discuss the affairs, finances and accounts of the Consolidated Group with any of the members of the senior treasury staff of the Borrower.

11.6 Keeping of Books

Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Consolidated Group sufficient to permit the preparation of financial statements in accordance with IFRS.

11.7 Maintenance of Properties, Etc.

Cause all of its properties that are used or useful in the conduct of its business or the business of any member of the Consolidated Group to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, except, in each case, where the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

11.8 Reporting Requirements.

- (a) Furnish to JBIC:
 - (i) as soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Consolidated Group as of the end of such quarter and Consolidated statements of income and cash flows of the Consolidated Group for the period commencing at the

- end of the previous fiscal year and ending with the end of such quarter, duly certified by the Chief Financial Officer or the Treasurer of the Borrower as having been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments);
- (ii) as soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Consolidated Group, containing a Consolidated balance sheet of the Consolidated Group as of the end of such fiscal year and Consolidated statements of income and cash flows of the Consolidated Group for such fiscal year, in each case accompanied by an unqualified opinion or an opinion reasonably acceptable to JBIC by any independent public accountants of recognized national standing;
 - (iii) simultaneously with each delivery of the financial statements referred to in Subclauses (a)(i) and (a)(ii) of this Clause 11.8, a certificate of the Chief Executive Officer, Chief Financial Officer or the Treasurer of the Borrower in substantially the form of Attachment 6 (*Form of Compliance Certificate*) hereto certifying that no Default or Event of Default has occurred and is continuing (or if such event has occurred and is continuing the actions being taken by the Borrower to cure such Default or Event of Default), including, if such covenant is tested at such time, setting forth in reasonable detail the calculations necessary to demonstrate compliance with Clause 11.17(*Financial Covenants*);
 - (iv) as soon as possible and in any event within five (5) days after any Responsible Officer of the Borrower shall have obtained knowledge of the occurrence of each Default continuing on the date of such statement, a statement of a Responsible Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;
 - (v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its security holders, in their capacity as such, and copies of all reports and registration statements that members of the Consolidated Group file with the Prime Minister of Japan through the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange;
 - (vi) promptly after a Responsible Officer of the Borrower obtains knowledge of the commencement thereof, notice of all actions, suits, investigations, litigations and proceedings before any court, governmental agency or arbitrator that would reasonably be expected to be adversely determined, and if so determined, would reasonably be expected to have a Material Adverse Effect subject, in each case, to any confidentiality, legal or regulatory restrictions relating to the supply of such information; and
 - (vii) such other information respecting the Consolidated Group as JBIC may from time to time reasonably request.
- (b) The Borrower shall be deemed to have delivered the financial statements and other information referred to in paragraphs (i), (ii) and (v) above when such financial statements and other information have been posted on the Borrower's internet website or the website of the Financial Services Agency of Japan, the Securities and Exchange Commission or any national securities exchange (in each case, to the extent such website is accessible by the JBIC without charge) and the Borrower has notified JBIC by electronic mail of such posting. If JBIC requests hard copies of such financial statements and other information, the Borrower shall furnish these to JBIC provided that no request shall affect that delivery has deemed to occur in accordance with the immediately preceding sentence.

11.9 Conduct of the Scheme

To the extent applicable, the Borrower shall or it shall procure that the applicable members of the Consolidated Group shall:

- (a) provide evidence that a Scheme Circular is issued and dispatched as soon as is reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Original Scheme Press Release unless, during that period the Borrower has elected to convert the Target Acquisition from a Scheme to a Takeover Offer, in which case the Takeover Offer Document shall be issued and dispatched as soon as reasonably practicable and in any event within 28 days (or such longer period as may be agreed with the Panel) after the issuance of the Offer Press Announcement;
- (b) comply in all material respects with the City Code (subject to any waivers or dispensations granted by the Panel or the Court) and all other applicable laws and regulations in relation to the Takeover Offer or Scheme;
- (c) except as consented to by JBIC in writing (such consent not to be unreasonably withheld, delayed or conditioned) and save to the extent that following the issue of a Scheme Press Release or an Offer Press Announcement the Borrower elects to proceed with the Target Acquisition by way of a Takeover Offer or Scheme respectively, ensure that (i) if the Target Acquisition is effected by way of a Scheme, the Scheme Circular corresponds in all material respects to the terms and conditions of the Scheme as contained in the Scheme Press Release to which it relates or (ii) if the Target Acquisition is effected by way of a Takeover Offer, the Takeover Offer Document corresponds in all material respects to the terms and conditions of the Takeover Offer as contained in the corresponding Offer Press Announcement, subject to any variation required by the Court and to any variations required by the Panel or which are not materially adverse to the interests of JBIC (or where the prior written consent of JBIC has been given);
- (d) ensure that the Scheme Documents, or, if the Target Acquisition is effected by way of a Takeover Offer, the Offer Documents, provided to JBIC contain all the material terms and conditions of the Scheme or Takeover Offer, as at that date, as applicable;
- (e) not make or approve any increase in the proposed amount of cash consideration payable per Target Share or make any other acquisition of any Target Share (including pursuant to a Takeover Offer) at a price that results in an increase in the cash consideration payable per Target Share stated in the Original Scheme Press Release, unless such modification in price is not materially adverse to the interests of JBIC (or where the prior written consent of JBIC has been given);
- (f) except as consented to by JBIC in writing in the event that the matter is material to the interests of JBIC (such consent not to be unreasonably withheld, delayed, or conditioned), not (i) amend or waive any term of the Scheme Documents or Takeover Offer Documents, as applicable, in a manner materially adverse to the interests of JBIC from those in the Original Scheme Press Release, or (ii) if the Target Acquisition is proceeding as a Takeover Offer, amend or waive the Acceptance Condition, save for, (a) in the case of clause (i), any amendment or waiver required by the Panel, the City Code, a court or any other applicable law, regulation or regulatory body, (b) in the case of clause (ii), a waiver of the Acceptance Condition to permit the Takeover Offer to become unconditional with acceptance of Target Shares (excluding any shares held in treasury) which, when aggregated with all Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury) as at the date on which the Takeover Offer is declared unconditional as to acceptances, (c) in the case of clause (i) and any condition detailed in the Original Scheme Press Release, any waiver of a condition which would not have entitled the Borrower to lapse the Scheme or Takeover Offer (as the case may be) under rule 13.5(a) of the City Code or

- (d) an extension of the Long Stop Date (as defined in the Original Scheme Press Release) in the event that any condition in paragraphs 4(c) to (j) in Part A of Appendix 1 to the Original Scheme Press Release (or the equivalent provision in any Offer Press Announcement) has not been satisfied by May 8, 2019;
- (g) not take any action which would require the Borrower to make a mandatory offer for the Target Shares in accordance with Rule 9 of the City Code;
- (h) provide JBIC with copies of each Offer Document or Scheme Document (as applicable) and such information as it may reasonably request regarding, in the case of a Takeover Offer, the current level of acceptances subject to any confidentiality, legal, regulatory or other restrictions relating to the supply of such information;
- (i) promptly deliver to JBIC the receiving agent certificate issued under Rule 10 of the City Code (if the Target Acquisition is being pursued pursuant to a Takeover Offer), any written agreement between the Borrower or its Affiliates and Target to the extent material to the interests of JBIC (as reasonably determined by the Borrower) in relation to the consummation of the Target Acquisition (in each case, upon such documents or agreements being entered into by a member of the Consolidated Group), and all other material announcements and documents published by the Borrower or delivered by the Borrower to the Panel pursuant to the Takeover Offer or Scheme (other than the cash confirmation) and all legally binding agreements entered into by the Borrower in connection with the Takeover Offer or Scheme, in each case to the extent the Borrower, acting reasonably, anticipates they will be material to the interests of the JBIC in connection with the Transactions, except to the extent it is prohibited by legal (including contractual) or regulatory obligations from doing so;
- (j) in the event that a Scheme is switched to a Takeover Offer or vice versa, (which the Borrower shall be entitled to do on multiple occasions provided that it complies with the terms of this Agreement), (i) within the applicable time periods provided in the definition of “Mandatory Cancellation Event”, procure that an Offer Press Announcement or Scheme Press Release, as the case may be, is issued, and (ii) except as consented to by JBIC in writing where such matters are material to the interests of JBIC (such consent not to be unreasonably withheld, delayed or conditioned), ensure that (A) where the Target Acquisition is then proceeding by way of a Takeover Offer, the terms and conditions contained in the Offer Document include the Acceptance Condition and (B) except for any reference in the Scheme Documents to the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of the Target, the conditions to be satisfied in connection with the Target Acquisition and contained in the Offer Documents or the Scheme Documents (whichever is applicable) are otherwise consistent in all material respects with those contained in the Offer Documents or Scheme Documents (whichever applied to the immediately preceding manner in which it was proposed that the Target Acquisition would be effected) (to the extent applicable for the legal form of a Takeover Offer or Scheme, as the case may be), in each case other than (i) in the case of clause (B), any changes permitted or required by the Panel or the City Code or any court of competent jurisdiction or are required to reflect the change in legal form to a Takeover Offer or Scheme or (ii) changes that could have been made to the Scheme or a Takeover Offer in accordance with the relevant provisions of this Agreement or which reflect the requirements of the terms of this Agreement and the manner in which the Target Acquisition may be effected, including, without limitation, changes to the price per Target Share which are made in accordance with the relevant provisions of this Agreement or any other agreement between the Borrower and JBIC;
- (k) in the case of a Takeover Offer, (i) not declare the Takeover Offer unconditional as to acceptances until the Acceptance Condition has been satisfied and (ii) promptly upon the Borrower acquiring Target Shares which represent not less than 90% in nominal value of the Target Shares to which the Takeover Offer relates or, if the Takeover Offer relates to Target

Shares of different classes, not less than 90% in nominal value of the shares of any class to which the Takeover Offer relates, ensure that notices under Article 117 of the Jersey Companies Law in respect of Target Shares that the Borrower has not yet agreed to directly or indirectly acquire are issued;

- (l) in the case of a Scheme, within ninety (90) days of the Scheme Effective Date, and in relation to a Takeover Offer, within ninety (90) days after the later of (i) the Closing Date and (ii) the date upon which the Borrower (directly or indirectly) owns and/or has agreed to own or acquire and has received valid acceptances (which have not been withdrawn or cancelled) of Target Shares (excluding any shares held in treasury), in respect of which, when aggregated with all other Target Shares owned by the Borrower (directly or indirectly), represent not less than 75% of all Target Shares (excluding any shares held in treasury), procure that such action as is necessary is taken to de-list the Target Shares from the Official List of the Financial Conduct Authority and to cancel trading in the Target Shares on the main market for listed securities of the London stock exchange and as soon as reasonably practicable thereafter, and subject always to the Jersey Companies Law and any applicable listing rules, use its reasonable endeavours to re-register Target as a private limited company;
- (m) except as consented by JBIC in writing, not give its consent with respect to any frustrating action of the Target pursuant to Rule 21.1(c)(ii) of the City Code;
- (n) make all payments which form part of the consideration to the shareholders of the Target in accordance with the terms of the Offer Documents or the Scheme Documents (whichever is applicable) or as otherwise may be agreed with the Court and/or the Panel.

11.10 Records

The Borrower shall maintain or cause to be maintained reasonable records in respect of the use of the proceeds of the Loan and the implementation of the Target Acquisition until at least two (2) years after the Disbursement Date and enable JBIC's representatives to examine such records.

11.11 Authorizations

The Borrower shall promptly obtain, maintain and comply with any authorization required under any applicable Law in order to perform its obligations under, or for the legality, validity, enforceability or admissibility in evidence of this Agreement, except to the extent that the failure to so comply, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

11.12 Pari Passu

The Borrower shall ensure that the payment obligations under this Agreement at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated Debt of the Borrower, except any claims that are mandatorily preferred by laws of general application to companies.

11.13 No Encumbrance

The Borrower shall not, without the prior written consent of JBIC, incur, issue, assume or guarantee, or permit any member of the Consolidated Group to incur, issue, assume or guaranty, at any time, any Borrowed Debt secured by a Lien on any property or asset now owned or hereafter acquired by the Borrower or any member of the Consolidated Group (other than Unrestricted Margin Stock), without effectively providing that the Disbursement outstanding at such time (together with, if the Borrower shall so determine, any other Borrowed Debt of the Borrower or such member of the Consolidated Group existing at such time or thereafter created that is not subordinate to the Disbursement) shall be secured equally and ratably with (or prior to) such secured Borrowed Debt, so long as such secured

Borrowed Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Borrowed Debt would not exceed \$2,500,000,000; provided, however, that this Clause 11.13 shall not apply to, and there shall be excluded from secured Borrowed Debt in any computation under this Clause 11.13, Borrowed Debt secured by:

- (a) Liens on property of, or on any shares of stock or Borrowed Debt of, any Person existing at the time such Person becomes a member of the Consolidated Group;
- (b) Liens in favor of any member of the Consolidated Group;
- (c) Liens incurred in the ordinary course of business to secure the performance of tenders, statutory or regulatory obligations, surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (d) Liens on property of a member of the Consolidated Group in favor of the United States or any State thereof, or any department, agency or instrumentality or political subdivision of the United States or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute;
- (e) Liens on property (including that of the Target and its Subsidiaries), shares of stock or Borrowed Debt existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price or construction or improvement cost thereof or to secure any Debt incurred prior to, at the time of, or within one hundred eighty (180) days after, the acquisition of such property or shares or Borrowed Debt or the completion of any such construction or improvement for the purpose of financing all or any part of the purchase price or construction or improvement cost thereof;
- (f) Liens existing on the Effective Date;
- (g) (i) bankers' Liens, rights of setoff, revocation, refund, chargeback or overdraft protection, and other similar Liens existing solely with respect to cash and cash equivalents on deposit in one or more accounts maintained by the Borrower or any member of the Consolidated Group, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements and (ii) Liens or rights of setoff against credit balances of the Borrower or any member of the Consolidated Group with credit card issuers or credit card processors or amounts owing by payment card issuers or payment card processors to Borrower or any member of the Consolidated Group in the ordinary course of business;
- (h) Liens arising from any monetization, securitization or other financing of accounts receivable or other receivables (including any related rights or claims) or in connection with factoring programs entered into in the ordinary course of business and consistent with past practice and on a non-recourse basis to the Borrower and its Subsidiaries; provided, that such Liens do not encumber any property or assets other than the accounts receivable or other receivables (including any related rights or claims) subject to such monetization, securitization, financing or factoring arrangement and any proceeds of the foregoing; provided, further, that the aggregate principal amount of the obligations secured by such Liens shall not exceed (i) prior to the Disbursement Date, \$750,000,000 or (ii) on or after the Disbursement Date, \$1,500,000,000.
- (i) Liens incurred in connection with pollution control, industrial revenue or similar financing,
- (j) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases, licenses, special assessments, rights of way covenants, conditions, restrictions

and declarations on or with respect to the use of real property, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of the business of the Borrower or any member of the Consolidated Group; and

- (k) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Borrowed Debt secured by any Lien referred to in subclauses (a) through (k) of this Clause 11.13; provided, that (i) such extension renewal or replacement Lien shall be limited to all or a part of the same property, shares of stock or Debt that secured the Lien extended, renewed or replaced (plus improvements on such property) and (ii) the Borrowed Debt secured by such Lien at such time is not increased.

11.14 Disposal of Assets

- (a) The Borrower shall not, without the prior written consent of JBIC (such consent not to be unreasonably withheld), sell, lease or transfer or otherwise dispose of, whether by a single transaction or a series of transactions (whether or not related), assets or properties which would have a material adverse effect on the ability of the Borrower to perform its payment obligations under this Agreement, so long as the Borrower has agreed to an equivalent agreement in its financing agreement and such agreement remains effective.
- (b) Paragraph (a) does not apply to any sale, lease, transfer or other disposal made in the ordinary course of the Borrower's business.

11.15 No Merger or Change of Business

The Borrower shall not, without the prior written consent of JBIC, merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (other than Unrestricted Margin Stock) (whether now owned or hereafter acquired) to, any Person, or permit any member of the Consolidated Group to do so, except that:

- (a) any member of (x) the Consolidated Group other than the Borrower may merge or consolidate with or into or (y) the Consolidated Group may dispose of assets to, in each case, any other member of the Consolidated Group;
- (b) the Borrower may merge with any other Person so long as (i) the Borrower is the surviving entity or (ii) the surviving entity shall succeed, by agreement reasonably satisfactory in form and substance to the JBIC, to all of the businesses and operations of the Borrower and shall assume all of the rights and obligations of the Borrower under this Agreement and the other Loan Documents (it being understood that notwithstanding the foregoing, the consummation of the Transactions shall not be prohibited by this Clause 11.15 or otherwise pursuant hereto);
- (c) any member of the Consolidated Group (other than the Borrower) may merge or consolidate with or into another Person, convey, transfer, lease or otherwise dispose of all or any portion of its assets so long as (i) the consideration received in respect of such merger, consolidation, conveyance, transfer, lease or other disposition is at least equal to the fair market value of such assets and (ii) no Material Adverse Effect would reasonably be expected to result from such merger, consolidation, conveyance, transfer, lease or other disposition;

provided, in the cases of clause (a), (b) and (c) hereof, that no Default or Event of Default (or, during the Certain Funds Period, no Certain Funds Default) shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

11.16 Additional or Substitutional Security / Guarantee

The Borrower shall, upon request by JBIC, immediately:

- (a) provide JBIC with such additional security; or
- (b) obtain such absolute, irrevocable and unconditional guarantee,

for the Loan as JBIC requires, in each case, such additional security or guarantee shall, within thirty (30) days of JBIC's first written demand therefor, be submitted to JBIC and shall be in form and substance satisfactory to JBIC in all respects.

11.17 Financial Covenants

The Borrower shall ensure all of the Financial Covenants in Attachment 1 (*Financial Covenants*) shall be observed.

11.18 Use of Proceeds

The proceeds of the Disbursement will be used in accordance with the provisions of Clause 3 (*Use of Proceeds*). No part of the proceeds of the Disbursement will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. The Borrower will not request the Disbursement, and the Borrower shall not use, and the Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of the Disbursement (i) for payments to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, Japan, the United Kingdom or in a European Union member state or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

11.19 Anti-Social Conduct / Anti-Social Groups

Each party hereto shall ensure that (i) it is not classified as an Anti-Social Group, nor shall any such party have any Anti-Social Relationship nor engage in any Anti-Social Conduct, whether directly or indirectly through a third party and (ii) it shall not make any claim against any other party hereto for any damages or losses suffered or incurred as a result of such other party exercising its rights under this Agreement as a result of any breach of this Clause 11.19 or any misrepresentation in connection with Clause 9.1.11 (*Anti-Corruption / Sanctions / Anti-Social Groups*).

12. Events of Default

12.1 Events of Default

Each of the events set out in this Clause is an Event of Default, on the occurrence of which JBIC may (subject to Clause 4.2(b) (*Further Conditions to Disbursement*)) by notice in writing to the Borrower:

- (a) suspend the Disbursement; and/or
- (b) cancel the Unutilized Amount of the Facility; and/or
- (c) declare that any amounts outstanding under this Agreement are immediately due and payable.

12.2 Non-payment

The Borrower fails (i) to pay any principal when the same becomes due and payable or (ii) to pay any interest or make any payment of fees or other amounts payable under this Agreement within five (5) Business Days after the same becomes due and payable.

12.3 Breach of Other Obligations

- (a) The Borrower breaches any provision of Clause 11 (*Particular Covenants*) Subclauses 4 (Preservation of Existence, Etc.) (i), 8 (Reporting Requirements) (a)(iv), 9 (Conduct of the Scheme) 12 (No Encumbrance), 15 (No Merger or Change of Business) or 17 (Financial Covenants).
- (b) The Borrower breaches any provision of Clause 11 (*Particular Covenants*) Subclauses 5 (Visitation Rights), 8 (reporting Requirements) (a) (i)-(iii) or (v)-(vii), unless such breach:
 - (i) is capable of remedy; and
 - (ii) is remedied within ten (10) business days of the earlier of JBIC giving notice in writing and the Borrower becoming aware of such non-compliance.
- (c) The Borrower breaches any provision of Clause 11 (*Particular Covenants*) other than Subclauses listed in (a) and (b) above, unless such breach:
 - (i) is capable of remedy; and
 - (ii) is remedied within thirty (30) days of the earlier of JBIC giving notice in writing and the Borrower becoming aware of such non-compliance.
- (d) The Borrower does not comply with any other term, condition or provision of this Agreement other than Clause 10.3 (*Environmental and Social Considerations*), unless such non-compliance:
 - (i) is capable of remedy; and
 - (ii) is remedied within thirty (30) days of the earlier of JBIC giving notice in writing and the Borrower becoming aware of such non-compliance.

12.4 Misrepresentation

Any representation or warranty made or repeated by the Borrower in this Agreement, or in any other document delivered by or on behalf of the Borrower under this Agreement is incorrect in any material respect when made or deemed to be repeated unless the circumstances giving rise to the misrepresentation:

- (a) are capable of remedy; and
- (b) are remedied within fifteen (15) days of the earlier of JBIC giving notice in writing and the Borrower becoming aware of such misrepresentation.

12.5 Cross-Default

Any of the following occurs in relation to the Borrower or any Significant Subsidiary:

- (a) fails to pay any principal of or premium or interest on any Indebtedness that is outstanding in a principal amount of at least \$200,000,000 in the aggregate (but excluding Indebtedness outstanding hereunder) when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness;
- (b) any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or
- (c) any such Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased

or defeased, or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof.

12.6 Cross Default—Other JBIC Agreements

Notwithstanding Clause 12.5 (*Cross-Default*), JBIC becomes entitled, duly pursuant to the applicable Other JBIC Agreements, to:

- (a) declare any Indebtedness under any such Other JBIC Agreement immediately due and payable prior to its stated maturity; or
- (b) suspend any disbursement in respect of any such Other JBIC Agreement.

12.7 Reschedule, Cessation, Insolvency, Dissolution or Other Similar Event

The Borrower or any Significant Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Significant Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of sixty (60) days; or the Borrower or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this Clause 12.7. With respect to the Borrower or any Significant Subsidiary organized under the laws of Japan, the following shall constitute an Event of Default: if (i) the Borrower makes an express declaration or implicit declaration of its inability to pay its debts to its creditors generally (*shiharai teishi*); (ii) a bank clearinghouse refuses to process the Borrower's checks (*tegata torihiki teishi shobun*); or densai.net Co., Ltd. (iii) an order is issued by a court for the attachment (whether preliminary or otherwise) or preservation of the Borrower's material property, estate or other right and is not discharged within sixty (60) days; (iv) a receiver or trustee is appointed for all or a portion of the property or estate of the Borrower; (v) an involuntary petition for commencement of bankruptcy (*hasan*), corporate reorganization (*kaisha kosei*), civil rehabilitation (*minji saisei*), special liquidation (*tokubetsu seisan*) or similar proceedings are filed against the Borrower and are not discharged within sixty (60) days; (vi) the Borrower files a voluntary petition (including a petition filed by a director of the Borrower) to commence, or a court of competent jurisdiction approves an involuntary petition with respect to and commences the procedure of, any of the proceedings specified in subparagraph (v) above; (vii) a voluntary petition to commence a special conciliation proceeding (*tokutei choutei*); or (viii) the Borrower adopts a resolution for liquidation at a meeting of its shareholders.

12.8 Laws and Consents

- (a) It is or becomes unlawful for the Borrower to perform any of its obligations under this Agreement.
- (b) Any Public Requirement in the Borrower's Country, which is necessary for or advisable in connection with:
 - (i) the validity, enforceability or performance of this Agreement or any agreement or instrument required under this Agreement; or
 - (ii) the admissibility in evidence of this Agreement,is revoked, is not issued or renewed on time, or ceases to remain in full force and effect.

- (c) This Agreement shall cease to be valid and binding obligations of the Borrower or the validity of this Agreement shall be contested by the Borrower or the Borrower denies liability under this Agreement in a way which is materially adverse to the interest of JBIC and any other lenders pursuant to Clause 14.1 (*Assignment*) hereof taken as a whole.

12.9 Clean-up

Notwithstanding anything in this Agreement to the contrary, for a period commencing on the Closing Date and ending on the date falling one hundred eighty (180) days after the Closing Date (the “**Clean-up Date**”), notwithstanding any other provision of any Loan Document, any breach of covenants, misrepresentation or other default which arises with respect to the Target Group will be deemed not to be a breach of representation or warranty, a breach of covenant or an Event of Default, as the case may be, if:

- (a) it is capable of remedy and reasonable steps are being taken to remedy it;
- (b) the circumstances giving rise to it have not knowingly been procured by or approved by the Borrower; and
- (c) it is not reasonably likely to have a Material Adverse Effect.

If the relevant circumstances are continuing on or after the Clean-up Date, there shall be a breach of representation or warranty, breach of covenant or Event of Default, as the case may be, notwithstanding the above.

13. Governing Law and Dispute Resolution

13.1 Governing Law

This Agreement, will be construed in accordance with, and is governed by the law of Japan.

13.2 Jurisdiction

- (a) Subject to Clause 13.2(c) (*Jurisdiction*), the Tokyo District Court have exclusive jurisdiction to settle any action, suit, dispute, or other legal proceeding arising out of, relating to or having any connection with this Agreement (including any action, suit, dispute, or other legal proceeding relating to any non-contractual obligation arising from or in connection with this Agreement and any dispute regarding the existence, validity, interpretation, performance, breach or termination of this Agreement or the consequences of its nullity) (a “**Dispute**”).
- (b) The Borrower agrees that the courts referred to in Clause 13.2(a) (*Jurisdiction*) are the most appropriate and convenient courts to settle Disputes and accordingly agrees not to assert (by way of motion, as a defense or otherwise) that a Dispute has been brought in an inconvenient forum, that the courts referred to in Clause 13.2(a) (*Jurisdiction*) are an improper venue for a Dispute or that this Agreement or the subject matter of this Agreement may not be enforced in or by such courts.
- (c) To the extent allowed by law, JBIC may take proceedings relating to a Dispute in any other courts with jurisdiction, and concurrent proceedings in any number of jurisdictions.

13.3 Waiver of Immunities

- (a) To the fullest extent permitted by law, the Borrower, with respect to itself and its revenues and assets (irrespective of their use or intended use), irrevocably and unconditionally:
 - (i) waives and agrees not to claim any sovereign, diplomatic or other immunity, from the jurisdiction of the courts referred to in Clause 13.2(a) (*Jurisdiction*) in relation to any

Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

- (ii) to the jurisdiction of the courts referred to in Clause 13.2(a) (*Jurisdiction*) and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the court referred to in Clause 13.2(a) (*Jurisdiction*) or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign, diplomatic or other immunity from the jurisdiction of the courts referred to in Clause 13.2(a) (*Jurisdiction*) or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and
 - (iii) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the courts referred to in Clause 13.2(a) (*Jurisdiction*) and the courts of any other jurisdiction whether before or after final judgment including, without limitation (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign, diplomatic or other immunity from the jurisdiction of the courts referred to in Clause 13.2(a) (*Jurisdiction*) or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.
- (b) The Borrower irrevocably and unconditionally acknowledges that the execution, delivery and performance of this Agreement constitute private and commercial (and not public) acts of the Borrower.

14. Miscellaneous Provisions

14.1 Assignment

- (a) Subject to Paragraph (b) and (c) below, this Agreement shall be binding upon and inure to the benefit of the Borrower and JBIC and their respective successors and assigns.
- (b) The Borrower may not assign or transfer any or all of its rights and/or obligations under this Agreement without the prior written consent of JBIC.
- (c) JBIC may assign or transfer any or all of its rights and/or obligations under this Agreement following good faith consultation with the Borrower, provided that during the Certain Funds Period, JBIC shall not be permitted to make any such assignment or transfer.

14.2 No Release

Any claim or dispute arising out of or in connection with any other contract or agreement, whether or not related to the Target Acquisition, shall not:

- (a) have any effect upon the Borrower's obligations under this Agreement; and
- (b) in any way be deemed to release the Borrower from such obligations being absolute and unconditional.

14.3 No Waiver, Remedies Cumulative

- (a) Any term of this Agreement may be amended or waived with the agreement of the Borrower and JBIC.

- (b) The rights of JBIC under this Agreement:
 - (i) may be exercised as often as necessary;
 - (ii) are cumulative and not exclusive of its rights under general law; and
 - (iii) may be waived only in writing and then only in the instance and purpose for which it was given.
- (c) Any delay in exercising or non-exercise of any right or remedy by JBIC is not a waiver of that right nor shall any single or partial exercise of any right or remedy prevent any further or other exercise of any other right or remedy.

14.4 Partial Illegality

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that will not affect the legality, validity or enforceability in:

- (a) that jurisdiction of any other term of this Agreement; or
- (b) other jurisdictions of that provision or any other term of this Agreement.

14.5 Contract Construction

- (a) **Headings:** Clause and Sub-Clause headings and the Table of Contents in this Agreement are inserted for ease of reference only and shall have no effect on the interpretation of any of the provisions hereof.
- (b) **References:** In this Agreement, references to:
 - (i) this Agreement or any other agreement or document are to this Agreement or, as the case may be, such other agreement or document as the same may be amended, varied, novated or supplemented from time to time;
 - (ii) Clauses, Sub-Clauses, Paragraphs or Attachments are to Clauses, Sub-Clauses, Paragraphs or Attachments of this Agreement;
 - (iii) any act, statute, ordinance or enactment shall be deemed to include references to such act, statute, ordinance or enactment as re-enacted, amended, extended, consolidated or replaced and any orders, decrees, proclamations, regulations, instruments or other subordinate legislation made and enforced from time to time thereunder;
 - (iv) any Person shall be construed so as to include its successors, permitted assigns and permitted transferees; and
 - (v) a “successor” shall be construed so as to include a successor in title of such party and any Person who under the Laws of its jurisdiction or domicile has assumed the rights and obligations of such party under this Agreement or by which, under such Laws, rights and obligations have been assumed.
- (c) **Singular and Plural:** Where the context so requires, words importing the singular number shall include the plural and *vice versa*.
- (d) **Attachments:** The Attachments to this Agreement form an integral part hereof.

14.6 Confidentiality

Each of the Borrower and JBIC shall treat this Agreement as confidential and shall not disclose to any Person any provision of or information regarding this Agreement without the prior written consent of

JBIC, except to the extent that (i) such disclosure is required by applicable Law, or regulations or by any subpoena or similar legal process including to the Panel or pursuant to the City Code; (ii) such disclosure is requested by Ministry of Finance, Board of Audit of Japan, or any other regulatory authority purporting to have jurisdiction over it or its Affiliates; (iii) such disclosure is made to its Affiliates or to its own and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, attorneys, certified public accountants, licensed tax accountants, other advisors (and their legal advisors) and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (iv) such disclosure is requested in connection with the exercise of any remedies hereunder or any action or proceeding relating to this Agreement or the enforcement of rights hereunder or thereunder; (v) such disclosure is subject to an agreement containing provisions substantially the same as those of this Clause and is made, to (a) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (b) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) to any swap or derivative or similar transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (c) any rating agency, (d) the CUSIP Service Bureau or any similar organization or (e) any Person to whom or for whose benefit JBIC has created a security interest in all or any portion of its rights under this Agreement pursuant to Clause 14.1 or (vi) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to JBIC on a non-confidential basis from a source other than the Borrower. JBIC acknowledges that its ability to disclose information concerning the Transactions is restricted by the City Code and the Panel and that Clause 14.6 is subject to those restrictions.

For purposes of this Agreement, "Information" means this Agreement and the other Loan Documents and all information received in writing and clearly identified as confidential or proprietary at that time or thereafter without undue delay from the Consolidated Group relating to the Consolidated Group or any of their respective businesses, other than any such information that is available to JBIC on a non-confidential basis prior to disclosure by the Consolidated Group and other than information pertaining to this Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

14.7 Change of Evidence of Authority

- (a) If there is any change in the form or substance of the Evidence of Authority after the date of the Documents Receipt, the Borrower must promptly:
 - (i) notify JBIC in writing of such change; and
 - (ii) provide JBIC with the relevant Evidence of Authority accompanied by the Specimen Signatures in respect of such change.
- (b) JBIC may rely upon and refer to the Evidence of Authority previously received by JBIC until JBIC receives the revised Evidence of Authority.

14.8 Use of English Language

Any document or material to be provided in connection with this Agreement must be:

- (a) in English or Japanese; or
- (b) in the language of the Borrower's Country accompanied by a certified English translation, which translation shall prevail unless the document is a statutory or other official document.

14.9 Communications

Unless otherwise specified in this Agreement, all communications between the parties hereto must be by:

- (a) registered air mail, with any such communication deemed to have been duly given or made seven (7) days after being deposited in the mail;
- (b) internationally recognized courier services, with any such communication deemed to have been duly given or made when such internationally recognized courier service is received by the recipient; or
- (c) facsimile (promptly confirmed by registered air mail or internationally recognized courier services), with any such communication deemed to have been duly given or made when such facsimile is received by the recipient,

to the following addresses or at such other address as any party may designate by written notice to the other party:

The contact details of the Borrower for this purpose are:

Address:	Takeda Pharmaceutical Company Limited 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku Tokyo 103-8668, Japan
Fax number:	81-3-3278-2198
Attention:	Global Treasury and Finance Management Head.

The contact details of JBIC for this purpose are:

Address:	Japan Bank for International Cooperation 4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan
Fax number:	81-3-5218-3967
Attention:	Director General, Industry Finance Group, Corporate Finance Department.

14.10 Abbreviation

This Agreement may be referred to as “JBIC Loan to Takeda” in communications between JBIC and the Borrower, as well as in relevant documents.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower and JBIC, acting through their duly authorized representatives, have caused this Agreement to be duly executed in duplicate in the English language and signed in their respective names on the several dates and at the several places herein below written. The date of signature by JBIC in Tokyo, Japan shall be deemed to be the date of conclusion of this Agreement and the office of JBIC in Tokyo, Japan shall be deemed to be the place of signing of this Agreement.

TAKEDA PHARMACEUTICAL
COMPANY LIMITED

Japan Bank for International Cooperation

By /s/ Costa Saroukos

By _____

Name: Costa Saroukos

Name:

Title: Chief Financial Officer

Title:

Date: December 3, 2018

Date:

Place: 1-1, Nihonbashi-Honcho 2-Chome,
Chuo-ku Tokyo 103-8668, Japan

Place:

IN WITNESS WHEREOF, the Borrower and JBIC, acting through their duly authorized representatives, have caused this Agreement to be duly executed in duplicate in the English language and signed in their respective names on the several dates and at the several places herein below written. The date of signature by JBIC in Tokyo, Japan shall be deemed to be the date of conclusion of this Agreement and the office of JBIC in Tokyo, Japan shall be deemed to be the place of signing of this Agreement.

TAKEDA PHARMACEUTICAL
COMPANY LIMITED

Japan Bank for International Cooperation

By _____
Name:
Title:
Date:
Place:

By /s/ Kazuhiko Tanaka
Name: Kazuhiko Tanaka
Title: Managing Executive Officer
Global Head of Industry Finance Group
Date: December 3, 2018
Place: Tokyo, Japan

Attachment 1 Financial Covenants

1. Beginning on the later of (i) the last day of the first fiscal half year ending at least one full fiscal quarter after the Closing Date (which for the avoidance of doubt shall be no later than March 31, 2020) and (ii) (A) if the fiscal year end is December 31, June 30 2019, or (B) if the fiscal year end is March 31, September 30 2019 and the last day of each fiscal half year ending thereafter, the Borrower will not permit, as of the last day of any such fiscal half year (each such date, the “**Testing Date**”) the ratio of (x) Consolidated Net Debt at such time to (y) Consolidated EBITDA of the Borrower for the four (4) consecutive fiscal quarter period ending as of such date to exceed the ratio set forth in the applicable table below for such applicable Testing Date:

Testing Date (if fiscal year end is March 31)	Ratio Level
September 30 2019 (if the Closing Date occurs on or prior to June 30 2019)	5.95 to 1.00
March 31 2020 and September 30 2020	5.35 to 1.00
March 31 2021 and September 30 2021	4.30 to 1.00
March 31 2022, September 30 2022, March 31 2023 and September 30 2023	4.00 to 1.00
March 31 2024 and September 30 2024	3.75 to 1.00
	(if the Term Loan Maturity Date has not occurred, 4.00 to 1.00)
March 31 2025 and thereafter	3.50 to 1.00
	(if the Term Loan Maturity Date has not occurred, 4.00 to 1.00)

2. The Borrower shall ensure that (a) remains greater than seventy five percent (75%) of (b):
- (a) the total equity listed in the consolidated statement of financial position on the last day of each fiscal year (from which the exchange differences on translation of foreign operations listed in the consolidated statement of changes in equity on the last day of each fiscal year is deducted);
 - (b) the total equity listed in the consolidated statement of financial position on the last day of the most recent second quarterly finance period (from which the exchange differences on translation of foreign operations listed in the consolidated statement of changes in equity on the last day of the most recent second quarterly finance period is deducted).
3. The Borrower shall ensure that (a) remains greater than seventy five present (75%) of (b):
- (a) the total equity listed in the consolidated statement of financial position on the last day of each second quarterly finance period (from which the exchange differences on translation of foreign operations listed in the consolidated statement of changes in equity on the last day of each second quarterly finance period is deducted);
 - (b) the total equity listed in the consolidated statement of financial position on the last day of the most recent fiscal year (from which the exchange differences on translation of foreign operations listed in the consolidated statement of changes in equity on the last day of the most recent fiscal year is deducted).
4. The Borrower’s profit before tax listed in the consolidated statement of profit or loss on the last day of each fiscal year shall not be negative for two (2) consecutive fiscal year.
5. So far as and to the extent that any clauses of any Syndicated Loan which is substantially equivalent to the Clauses 2, 3 or 4 above is terminated, amended, restated or waived, such termination, amendment,

restatement or waiver shall apply mutatis mutandis to this Agreement following mutual consultation between JBIC and the Borrower in good faith and in a timely manner.

6. If a Testing Date would have occurred in the fiscal quarter in which the Borrower changed its fiscal year end to December 31 (the “**Fiscal Year Change**”) but does not because of such Fiscal Year Change, the last day of such fiscal quarter shall be a Testing Date notwithstanding the Fiscal Year Change.
7. Notwithstanding the foregoing, in the event that the Borrower incurs indebtedness in an amount no less than US\$ 5,000,000,000 in connection with an Acquisition and the Borrower’s Public Debt Rating is equal to or higher than each of (x) Baa3 from Moody’s and (y) BBB- from S&P, then the Borrower shall be permitted on one (1) occasion during the term of this Agreement to allow the maximum ratio of Consolidated Net Debt to Consolidated EBITDA permitted pursuant to this Attachment to be increased to 5.00 to 1.00 (if the then applicable required ratio level is lower than 5.00 to 1.00); provided that on the second Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Attachment shall be 4.50 to 1.00, on the fourth Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Attachment shall be 4.00 to 1.00, on the sixth Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Attachment shall be 3.75 to 1.00 (if the Term Loan Maturity Date has not occurred, 4.00 to 1.00) and on the eighth Testing Date after the Testing Date on which such maximum ratio was increased to 5.00 to 1.00, the maximum ratio permitted under this Attachment shall be 3.50 to 1.00 (if the Term Loan Maturity Date has not occurred, 4.00 to 1.00).
8. For purposes of calculating the aggregate principal amount of the Consolidated Net Debt of the Borrower on any such date, the currency exchange rate used for such calculation shall be the rate used in the annual or semi-annual financial statements for such date; provided, however, that if the Borrower determines that an average exchange rate is a more accurate reflection of the value of such currency over such four (4) consecutive fiscal quarter period, the currency exchange rate used may be, at the option of the Borrower, the currency exchange rate used for the statement of income of the Borrower for such fiscal half year.
9. For the purposes of this Attachment:

“**Acquisition**” means any acquisition (whether by purchase, merger, consolidation or otherwise) or series of related acquisitions by the Borrower or any Subsidiary after the Effective Date of (i) at least a majority of the assets of (or at least a majority of the assets constituting a business unit, division, product line or line of business of) any Person, or (ii) at least the majority of the Equity Interests in a Person or division or line of a Person.

“**Borrowed Debt**” means any Debt for money borrowed, including loans, hybrid securities, debt convertible into Equity Interests and any Debt represented by notes, bonds, debentures or other similar evidences of Debt for money borrowed.

“**Consolidated**” refers to the consolidation of accounts in accordance with IFRS.

“**Consolidated EBITDA**” means, for any fiscal period, the Consolidated net profit of the Consolidated Group for such period determined in accordance with IFRS plus the following, to the extent deducted in calculating such Consolidated net profit: (a) the provision for Federal, state, local and foreign taxes based on income, profits, revenue, business activities, capital or similar measures payable by the Consolidated Group in each case, as set forth on the financial statements of the Consolidated Group, (b) share of loss of investments accounted for using the equity method, (c) Consolidated Interest Expense and dividend expense, (d) any losses (including all fees and expenses or charges relating thereto) on the retirement of debt, (e) any extraordinary, unusual, nonrecurring or non-cash impairments, charges, expenses or losses (including impairments, charges, fees, expenses and losses incurred in connection with the Transactions or any issuance of Debt or equity, acquisitions, investments, restructuring activities, asset sales or divestitures permitted hereunder, purchase accounting effects, derivatives transactions and other finance expenses and other operating expenses), (f) non-cash stock

option expenses, non-cash equity-based compensation and/or non-cash expenses related to stock-based compensation, (g) any foreign currency exchange losses, (h) losses (including all fees and expenses or charges relating thereto) on sales of assets outside of the ordinary course of business and losses from discontinued operations and (i) depreciation and amortization expense and minus, to the extent included in calculating such Consolidated net profit for such period, the sum of (i) share of profit of investments accounted for using the equity method, (ii) interest and dividend income, (iii) any gains (less all fees and expenses or charges relating thereto) on the retirement of debt, (iv) any extraordinary, unusual, nonrecurring or non-cash income (including other finance income), (v) gains (less all fees and expenses or charges relating thereto) on the sales of assets outside of the ordinary course of business and gains from discontinued operations (without duplication of any amounts added back in Clause (a) of this definition) and (vi) any foreign currency exchange gains, all as determined on a Consolidated basis. Consolidated EBITDA will be calculated on a pro forma basis as if the Transactions and any related incurrence or repayment of Debt by any member of the Consolidated Group had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately succeeding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately succeeding sentence). In addition, in the event that any member of the Consolidated Group acquired or disposed of any Person, business unit or line of business or made any investment during the relevant period, Consolidated EBITDA will be determined giving pro forma effect to such acquisition, disposition or investment as if such acquisition, disposition or investment and any related incurrence or repayment of Debt had occurred on the first day of the relevant period, but shall not take into account any cost savings or synergies projected to be realized as a result of such acquisition or disposition other than cost savings or cost synergies that are factually supportable and quantifiable pro forma cost savings or expense reductions related to operational efficiencies (including the entry into any material contract or arrangement), strategic initiatives or purchasing improvements and other cost savings, improvements or cost synergies, in each case, that have been realized, or are reasonably expected to be realized, by any member of the Consolidated Group based upon actions to be taken within 12 months after the consummation of the action as if such cost savings, expense reductions, improvements and cost synergies occurred on the first day of the relevant period; provided that the aggregate amount of such cost savings and cost synergies, together with any cost savings and cost synergies included in the calculation of Consolidated EBITDA pursuant to the immediately preceding sentence, shall not exceed, for any such fiscal period, ten percent (10%) of Consolidated EBITDA for such period (as calculated without giving effect this sentence or the immediately preceding sentence).

“Consolidated Interest Expense” means, for any fiscal period, the total interest expense of the Consolidated Group on a Consolidated basis determined in accordance with IFRS, including the imputed interest component of capitalized lease obligations during such period, and all commissions, discounts and other fees and charges owed with respect to letters of credit, if any, and net costs under Hedge Agreements; provided that if any member of the Consolidated Group acquired or disposed of any Person or line of business during the relevant period (including for the avoidance of doubt the Transactions), Consolidated Interest Expense will be determined giving pro forma effect to any incurrence or repayment of Debt related to such acquisition or disposition as if such incurrence or repayment of Debt had occurred on the first day of the relevant period.

“**Consolidated Net Assets**” means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom all current liabilities, as set forth on the Consolidated balance sheet of the Consolidated Group most recently furnished to the JBIC pursuant to Clause 11.8 (*Reporting Requirements*) (i)(ii) prior to the time as of which Consolidated Net Assets shall be determined.

“**Consolidated Net Debt**” means, as of any date of determination, the aggregate amount of Borrowed Debt of the Consolidated Group determined on a Consolidated basis as of such date, minus all unrestricted cash and cash equivalents of the Consolidated Group.

“**Consolidated Tangible Assets**” means, as of any date of determination thereof, Consolidated Total Assets minus, without duplication, (x) the Intangible Assets of the Consolidated Group and (y) goodwill of the Consolidated Group, in each case on such date.

“**Consolidated Total Assets**” means, as of the date of any determination thereof, total assets of the Consolidated Group calculated in accordance with IFRS on a consolidated basis as of such date.

“**Debt**” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services that would appear as a liability on the balance sheet of such Person prepared in accordance with IFRS (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with IFRS, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in Clauses (a) through (g) above or Clause (i) below directly guaranteed in any manner by such Person, or the payment of which is otherwise provided for by such Person, and (i) all Debt referred to in Clauses (a) through (h) above secured by any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; provided, however, that the amount of such Debt will be the lesser of (x) the fair market value of such asset at such date of determination and (y) the amount of such other Debt.

“**Equity Interests**” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“**Hedge Agreements**” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“**Intangible Assets**” means the aggregate amount, for the Consolidated Group on a consolidated basis, of all assets classified as intangible assets under IFRS, including, without limitation, customer lists, acquired technology, computer software, trademarks, patents, copyrights, organization expenses, franchises, licenses, trade names, brand names, mailing lists, catalogs, unamortized debt discount and capitalized research and development costs.

“**Syndicated Loan**” means each of :

- (a) a syndicated loan agreement dated 23 July 2013 entered into among, *inter alia*, the Borrower as borrower, various financial institutions indicated therein as lenders, Sumitomo Mitsui Banking Corporation as the agent and Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. as the arrangers;

- (b) a syndicated loan agreement dated 22 April 2016 entered into among, *inter alia*, the Borrower as borrower, various financial institutions indicated therein as lenders, Sumitomo Mitsui Banking Corporation as the agent and Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. as the arrangers; and
- (c) a syndicated loan agreement dated 31 March 2017 entered into among, *inter alia*, the Borrower as borrower, various financial institutions indicated therein as lenders, Sumitomo Mitsui Banking Corporation as the agent and Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. as the arrangers.

“**Term Loan**” means the term loan credit agreement dated 8 June 2018 entered into among, the Borrower as borrower, various financial institutions indicated therein as lenders and JPMorgan Chase Bank, N.A. as administrative agent.

“**Term Loan Maturity Date**” means the Maturity Date defined in the Term Loan.

Attachment 2 Definitions

“**Acceptance Condition**” means, in respect of a Takeover Offer, the condition to the Takeover Offer with respect to the number of acceptances to the Takeover Offer which must be secured to declare the Takeover Offer unconditional as to acceptances (as set out in the Offer Press Announcement).

“**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term “control” (including the terms “controlling”, “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

“**Amortization Notice**” has the meaning given in Paragraph (a) of Clause 5.2 (*Arrangement of the Amortization Schedule*).

“**Amortization Schedule**” means the schedule of the dates and amounts of repayments of the Loan, as amended from time to time in accordance with Clause 5 (*Repayment*).

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

“**Anti-Social Conduct**” means (i) a demand and conduct with force and arms; (ii) an unreasonable demand and conduct having no legal cause; (iii) threatening or committing violent behavior relating to its business transactions; (iv) an action to defame the reputation or interfere with the business of JBIC by spreading rumor, using fraudulent means or resorting to force; or (v) other actions similar or analogous to any of the foregoing in any jurisdiction.

“**Anti-Social Group**” means:

- (a) an organized crime group (as defined in the Law relating to Prevention of Unjustifiable Acts by Gang Members of Japan (Law No. 77 of 1991, as amended));
- (b) a member of an organized crime group;
- (c) a person who used to be a member of an organized crime group but has only ceased to be a member of an organized crime group for a period of less than 5 years;
- (d) quasi-member of an organized crime group;
- (e) a related or associated company of an organized crime group;
- (f) a corporate racketeer or blackmailer advocating social cause or a special intelligence organized crime group; or
- (g) a member of any other criminal force similar or analogous to any of the foregoing in any jurisdiction.

“**Anti-Social Relationship**” means in relation a Person:

- (a) an Anti-Social Group controls its management;
- (b) an Anti-Social Group is substantively involved in its management;
- (c) it has entered into arrangements with an Anti-Social Group for the purpose of, or which have the effect of, unfairly benefiting itself or a third party or prejudicing a third party;
- (d) it is involved in the provision of funds or other benefits to an Anti-Social Group; or
- (e) any of its directors or any other person who is substantively involved in its management has a socially objectionable relationship with an Anti-Social Group.

“**Board**” means the Board of Governors of the Federal Reserve System of the United States of America.

“**Borrower**” has the meaning given in the opening Paragraph of this Agreement.

“**Borrower’s Country**” means Japan

“**Business Day**” means a day on which banks and other financial institutions are open for foreign exchange business in Tokyo, London and New York.

“**CERCLIS**” means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

“**Certain Funds Default**” means an Event of Default arising from any of the following (other than in respect of any Subsidiary of the Borrower, the Target or any Subsidiary of the Target, or a breach of a procurement obligation with respect to any Subsidiary of the Borrower, the Target or any Subsidiary of the Target):

- (a) Clause 12.2 (*Non-payment*) (in so far as it relates to payment of principal and/or interest only);
- (b) Clause 12.3 (*Breach of Other Obligations*) as it relates to the failure to perform any of the following covenants:
 - (i) Clause 11.4 (i) (*Preservation of Existence*)
 - (ii) Clause 11.9 (*Conduct of the Scheme*) (other than paragraphs (h), (i) and (k) thereof);
 - (iii) Clause 11.13 (*No Encumbrance*); or
 - (iv) Clause 11.15 (*No Merger or Change of Business*);
- (c) Clause 12.4 (*Misrepresentation*) as it relates to a Certain Funds Representation; or
- (d) Clause 12.7 (*Reschedule, Cessation, Insolvency, Dissolution or Other Similar Event*) in relation to the Borrower, but excluding, in relation to involuntary proceedings referenced therein, any Event of Default caused by a frivolous or vexatious action, proceeding or petition in respect of which no order or decree in respect of such involuntary proceeding shall have been entered.

“**Certain Funds Period**” means the period commencing on the Effective Date and ending on the earlier of (i) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists or (ii) if the Borrower has served written notice to JBIC in accordance with the definition of Commitment Termination Date to extend the Commitment Termination Date to the date that is 60 days after the Closing Date so that up to \$2,100,000,000 Commitments remain outstanding until such date, the date that is 60 days after the Closing Date.

“**Certain Funds Purposes**” means:

- (a) where the Target Acquisition proceeds by way of a Scheme:
 - (i) payment (directly or indirectly) of the cash price payable by the Borrower to the holders of the Scheme Shares in consideration of the acquisition of such Scheme Shares pursuant to the Scheme;
 - (ii) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (iii) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (iv) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect); or

- (b) where the Target Acquisition proceeds by way of a Takeover Offer:
 - (i) payment (directly or indirectly) of all or part of the cash price payable by the Borrower to the holders of the Target Shares subject to the Takeover Offer in consideration of the acquisition of such Target Shares pursuant to the Takeover Offer;
 - (ii) payment (directly or indirectly) of the cash consideration payable to the holders of Target Shares pursuant to the operation by Borrower of the procedures contained in Articles 117 and 121 of the Jersey Companies Law;
 - (iii) financing (directly or indirectly) the consideration payable to holders of options to acquire Target Shares pursuant to any proposal in respect of those options as required by the City Code;
 - (iv) financing (directly or indirectly) the fees, costs and expenses in respect of the Transactions; and
 - (v) repayment of certain Existing Target Indebtedness (which the Borrower may from time to time elect).

“Certain Funds Representations” means each of the following:

- (a) Clause 9.1.1 (*Status of Borrower and its Business*);
- (b) Clause 9.1.2(a) (*Power and Internal Authorization*) Subclauses (i), (ii) and (iii) (but excluding 9.1.2(a)(iii)(C) and also excluding subclause 9.1.2(a)(iv));
- (c) Clause 9.1.3 (*Public Requirement*);
- (d) Clause 9.1.4 (*Form and Effect of this Agreement*); and
- (e) Clause 9.1.12 (a), (b)(ii) and (c) (*Scheme*),

in each case only insofar as it relates to the Borrower (excluding, for the avoidance of doubt, any Subsidiary of the Borrower, Target or any Subsidiary of Target).

“City Code” means the City Code on Takeovers and Mergers applicable, inter alia, to takeovers of listed companies in the United Kingdom and to Jersey listed companies pursuant to the Companies (Takeovers and Mergers Panel) (Jersey) Law 2009.

“Clean-up Date” has the meaning given in Clause 12.9 (*Clean-up*).

“Closing Date” means the date on which each of the conditions set forth in Attachment 3 Part 2 (*Further Conditions Precedent*) have been satisfied (or waived in accordance with Clause 14.3)

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means the commitment of JBIC to make the Disbursement pursuant to this Loan.

“Commitment Termination Date” means the earlier of (a) the date on which a Mandatory Cancellation Event occurs, for the avoidance of doubt, on such date but immediately after the relevant Mandatory Cancellation Event occurs or first exists; provided that, if the Closing Date has occurred prior to the date described in this Clause (a), up to \$2,100,000,000 of Commitments shall remain outstanding until the date that is sixty (60) days after the Closing Date if so elected by the Borrower by written notice to JBIC prior to the Closing Date and (b) the date on which the Commitments are terminated in full in accordance with Clause 4.5 (*Termination of Commitment*) or, subject to Clause 4.2(b) (*Further Conditions to Disbursement*), Clause 12.1(*Events of Default*).

“Conditions Precedent Documents” means the documents specified in Clause 4.1 (*Conditioned Precedent Documents*).

“Consolidated Group” means, prior to the consummation of the Target Acquisition, the Borrower and its Subsidiaries (excluding the Target and its Subsidiaries) and thereafter, the Borrower and its Subsidiaries (including the Target and its Subsidiaries).

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

“**Court Meeting**” means the meeting or meetings of Scheme Shareholders (or any adjournment thereof) to be convened by order of the Court under Article 125(1) of the Jersey Companies Law for the purposes of considering and, if thought fit, approving the Scheme.

“**Court Order**” means the Act of Court sanctioning the Scheme under Article 125(2) of the Jersey Companies Law.

“**Default**” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“**Disbursement**” means the disbursement under the Facility in accordance with the provisions of this Agreement.

“**Disbursement Date**” has the meaning given in Clause 4.3 (*Disbursement*).

“**Disbursement Procedures**” means the disbursement procedures set forth in Attachment 4 (*Disbursement Procedure*).

“**Disclosure Letter**” means that certain disclosure letter dated as of the Effective Date from the Borrower to JBIC.

“**Dispute**” has the meaning given in Paragraph (a) of Clause 13.2 (*Jurisdiction*).

“**Documents Receipt**” has the meaning given in Clause 4.1 (*Conditions Precedent Documents*).

“**EEA Financial Institution**” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” means the date of the Documents Receipt issued pursuant to Clause 4.1 (*Conditions Precedent Documents*).

“**Eligible Currency**” has the meaning given in Clause 2.2 (*Currency*).

“**Environmental Action**” means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“**Environmental and Social Considerations**” means the considerations described in Clause 10.3 (*Environmental and Social Considerations*) and the JBIC Environmental Guidelines;

“**Environmental Law**” means any applicable federal, state, local or foreign statute; law (including common law); ordinance; rule; regulation; code; final and binding court order; judgment; decree or judicial or agency interpretation, policy or guidance; or agency order relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“**Environmental Permit**” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations promulgated thereunder.

“**ERISA Affiliate**” means any trade or business (whether or not incorporated) that is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code.

“**ERISA Event**” means:

- (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Single Employer Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are being met with a contributing sponsor, as defined in Section 4001 (a)(3) of ERISA, of a Single Employer Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days unless the 30-day notice requirement has been waived by the PBGC;
- (b) the application for a minimum funding waiver with respect to a Single Employer Plan;
- (c) the termination of or provision of a notice of intent to terminate any Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA) or otherwise so as to incur liability of the Borrower or any ERISA Affiliate under Title IV of ERISA (other than premiums due to the PBGC);
- (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA;
- (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA;
- (f) the conditions for the imposition of a lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or
- (g) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that could constitute grounds for the termination of a Plan, or the appointment of a trustee to administer a Single Employer Plan or Multiple Employer Plan.

“**Escrow Account**” means any account established for the purpose of depositing funds prior to their being applied towards Certain Funds Purposes.

“**Events of Default**” has the meaning given in Clause 12.1 (*Events of Default*).

“**Evidence of Authority**” means the documentary evidence of the authority of each Person who:

- (a) has signed this Agreement on behalf of the Borrower; and
- (b) will sign the statements, reports, certificates and other documents required under this Agreement or will otherwise act as a representative of the Borrower in relation to the implementation, administration or performance of this Agreement,

(such documentary evidence to include certified copies of all corporate consents obtained in order to authorize the execution, delivery and performance by the Borrower of this Agreement and the transactions contemplated hereby).

“**Existing Target Indebtedness**” means indebtedness of the Target existing on the Closing Date.

“**Facility**” means the loan facility described in Clause 2.1 (*Facility*).

“**Financial Covenants**” has the meaning given in Clause 11.17 (*Financial Covenants*).

“**Floating Rate**” means, with respect to any Interest Period or Overdue Period:

- (a) the rate per annum (on the basis of a year of three hundred sixty (360) days) quoted on the Reuters page LIBOR01 for the purpose of displaying London interbank offered rate administered by ICE Benchmark Administration Limited (or any other Person which takes over the administration of that rate) in U.S. Dollars (“**LIBOR**”) or if such page ceases to display, such other page on Reuters which displays such rate or on such other service as may be duly selected by JBIC as suitable for determining LIBOR, for a period of six (6) months, at approximately 11:00 a.m., London time, on each Quotation Date; or
- (b) if no rate is quoted on such pages on each such Quotation Date, the average (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent (1/16%)) of the rates per annum for a period of six (6) months at which deposits in U.S. Dollars are offered to at least three Reference Banks, as set out below, in the London interbank market, in each case, at approximately 11:00 a.m., London time, on each such Quotation Date. “**Reference Banks**” shall mean three (3) banks duly selected by JBIC. In the event that such rate is not available at such time for any reason, then “**Floating Rate**” for such Interest Period or Overdue Period shall be duly determined by JBIC,

and if, in either case, that rate is less than zero, the Floating Rate shall be deemed to be zero.

“**Foreign Exchange Act**” means the Foreign Exchange and Foreign Trade Act of Japan (Law No. 59 of 2009, as amended).

“**General Meeting**” means the extraordinary general meeting of the holders of Target Shares (or any adjournment thereof) to be convened in connection with the implementation of a Scheme.

“**Governmental Authority**” means the government of Japan, the United States of America, or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Hazardous Materials**” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as “hazardous” or “toxic” or as a “pollutant” or “contaminant” or for which liability may be imposed, under any Environmental Law.

“**IFRS**” means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the Effective Date.

“**Indebtedness**” means any obligation (whether incurred as principal or surety) for the payment or repayment of money, whether present or future, actual or contingent, and for or in respect of:

- (a) amounts borrowed;
- (b) amounts of any deferred purchase price of property or services, the payment of which has been deferred in excess of thirty (30) days;
- (c) guarantee, letters of credit or banker’s acceptances;
- (d) amounts payable under or evidenced by bonds, debentures, notes or other similar instruments;
- (e) leases or hire purchase contracts, which would in accordance with generally accepted accounting principles be treated as finance or capital leases; or
- (f) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

“**Interest**” has the meaning given in Clause 6.1.1 (*Interest*).

“**Interest Payment Date**” has the meaning given in Clause 6.1.3 (*Interest Payment Date*).

“**Interest Period**” has the meaning given in Clause 6.1.4 (*Interest Period*).

“**Interest Rate**” has the meaning given in Clause 6.1.2 (*Rate of Interest*).

“**JBIC**” means Japan Bank for International Cooperation.

“**JBIC Environmental Guidelines**” means the “JBIC Guidelines for Confirmation of Environmental and Social Considerations” (January 2015).

“**JBIC’s Account**” means the bank account described in Clause 8.1.2 (*Account of JBIC*).

“**Jersey Companies Law**” means the Companies (Jersey) Law 1991.

“**Law**” means any convention, treaty, law, ordinance, decree, rule, directive, regulation, judicial or arbitral decision, or voluntary restraint, policy or guideline or any of the provisions of the foregoing (as amended, supplemented or replaced from time to time) binding on or affecting the party referred to in the context in which the term is used.

“**LIBOR Business Day**” means a day on which dealings in deposits in U.S. Dollars are carried on in the London interbank market.

“**Lien**” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, intended as a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

“**Litigation**” means any of court proceedings, arbitration proceedings or administrative proceedings.

“**Loan**” has the meaning given in Clause 5.1 (*Repayment of Loan*).

“**Loan Documents**” means this Agreement and any amendments, notes or notices entered into in connection herewith.

“**Long Stop Date**” means 8 August 2019 or such other date as may be agreed in writing between JBIC and the Borrower.

“**Mandatory Cancellation Event**” means the occurrence of any of the following conditions or events:

- (a) where the Target Acquisition proceeds by way of a Scheme:
 - (i) the Court Meeting is held (and not adjourned or otherwise postponed) to approve the Scheme at which a vote is held to approve the Scheme, but the Scheme is not so approved in accordance with Article 125(2) of the Jersey Companies Law by the requisite majority of the Scheme Shareholders at such Court Meeting;
 - (ii) the General Meeting is held (and not adjourned or otherwise postponed) to pass the Scheme Resolutions at which a vote is held on the Scheme Resolutions, but the Scheme Resolutions are not passed by the requisite majority of the shareholders of Target at such General Meeting;
 - (iii) an application for the issuance of the Court Order is made to the Court (and not adjourned or otherwise postponed) but the Court (in its final judgment) refuses to grant the Court Order;
 - (iv) either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court; or
 - (v) the date which is 15 days after the Scheme Effective Date;

unless, in respect of paragraphs (i) to (iv) inclusive above, for the purpose of switching from a Scheme to a Takeover Offer, within five (5) Business Days of such event the Borrower has

notified JBIC that the Borrower intends to issue, and then within ten (10) Business Days after delivery of such notice the Borrower does issue, an Offer Press Announcement and provides a copy to JBIC (in which case no Mandatory Cancellation Event shall have occurred);

- (b) where the Target Acquisition proceeds by way of a Takeover Offer:
 - (i) such Takeover Offer lapses, terminates or is withdrawn unless, for the purpose of switching from a Takeover Offer to a Scheme, within five (5) Business Days of such event the Borrower has notified JBIC that the Borrower intends to issue, and then within ten (10) Business Days after delivery of such notice the Borrower does issue, a Scheme Press Release and provides a copy to JBIC (in which case no Mandatory Cancellation Event shall have occurred); or
 - (ii) the date which is six (6) weeks after the date (or to the extent necessary to address a minority shareholder's application to the Court in protest thereof and written notice is provided to JBIC on or prior to the end of such initial six (6) week period, twelve weeks after the date) that the Borrower serves notice under Article 117 of the Jersey Companies Law to buy out minority shareholders;
- (c) the date upon which all payments made or to be made for Certain Funds Purposes have been paid in full in cleared funds; or
- (d) the date which is 15 days after the Long Stop Date.

"Mandatory Prepayment Event" means each of the events listed in Clause 7.2 (*Mandatory Prepayment*).

"Margin" has the meaning given in Clause 6.1.2 (*Rate of Interest*).

"Margin Stock" has the meaning provided in Regulation U.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Borrower or the Consolidated Group taken as a whole, (b) the rights and remedies of JBIC under this Agreement, taken as a whole, (c) the ability of the Borrower to perform its or their payment obligations under this Agreement.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Necessary Environmental Review" means an ongoing review:

- (a) of the effect of local environmental Laws and standards on the business, operations and properties of the Borrower and its subsidiaries; and
- (b) in the course of which the Borrower identifies and evaluates liabilities and costs related thereto (including, without limitation, with respect to any clean-up or closure of properties, in compliance with applicable operating constraints, disposal of wastes and possible liabilities to employees and other third parties).

"NPL" means the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"Offer Documents" means the Takeover Offer Document and the Offer Press Announcement.

“Offer Press Announcement” means a press announcement released by or on behalf of the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Takeover Offer and setting out the terms and conditions of the Takeover Offer.

“Original Scheme Press Release” means the Scheme Press Release released by the Borrower on May 8, 2018.

“Other JBIC Agreement” means any agreement other than this Agreement involving the borrowing of money or the extension of credit or any guarantee or indemnity between the Borrower or any Subsidiary of the Borrower and JBIC (either acting alone or acting together with one or more other banks or financial institutions or acting through a special purpose company). For the avoidance of doubt, this includes any contract initially entered into with the Borrower on or before 31 March 2012, by any of The Export-Import Bank of Japan, Japan Bank for International Cooperation and/or Japan Bank for International Cooperation which constitutes the international arm of Japan Finance Corporation (each of which being a predecessor organization of JBIC).

“Overdue Amount” has the meaning given in Paragraph (a) of Clause 6.2.1 (*Overdue Interest*).

“Overdue Interest” has the meaning given in Paragraph (a) of Clause 6.2.1 (*Overdue Interest*).

“Overdue Interest Rate” has the meaning given in Paragraph (a) of Clause 6.2.2 (*Overdue Interest Rate*).

“Overdue Period” has the meaning given in Clause 6.2.3 (*Overdue Period*).

“Panel” means the Panel on Takeovers and Mergers.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Planned Amortization Schedule” has the meaning given in Paragraph (b) of Clause 5.1 (*Repayment of Loan*).

“Plan Asset Regulations” means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

“Projections” means any projections and any forward-looking statements (including statements with respect to booked business) of the Consolidated Group furnished to JBIC by or on behalf of the Borrower prior to the Closing Date.

“Public Requirement” means approvals, authorizations, consents, licenses, recordations and filings, registrations, and other acts, in any court, central bank, government or other public office or elsewhere.

“Quotation Date” means:

- (a) with respect to any Interest Period, the day which is two (2) LIBOR Business Days prior to the commencement of such Interest Period; and
- (b) with respect to any Overdue Period, the day which is two (2) LIBOR Business Days prior to:
 - (i) the day on which the Overdue Amount becomes due and payable (for the period from and including such due date up to and excluding the immediately succeeding Revision Date (in the case where such period includes the date of actual receipt of the payment by JBIC, up to and excluding such date)); or
 - (ii) each succeeding Revision Date (for the subsequent period from and including such Revision Date up to and excluding the immediately succeeding Interest Payment Date (in the case where such period includes the date of actual receipt of the payment by JBIC, up to and excluding such date))

“**Relevant Currency**” has the meaning given in Paragraph (c) of Clause 8.2 (*Other Payment Obligations*).

“**Relevant Information**” means:

- (a) any information which has been provided by the Borrower in connection with this Agreement or the Target Acquisition; and
- (b) any and all facts which materially and adversely affect or may affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

“**Repayment Date**” has the meaning given in Paragraph (b) of Clause 5.1 (*Repayment of Loan*);

“**Responsible Officer**” means, with respect to the Borrower, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Head of Corporate Law, Japan Legal and the General Counsel of the Borrower (or other executive officer of the Borrower performing similar functions) or any other officer of the Borrower responsible for overseeing or reviewing compliance with this Agreement

“**Restricted Margin Stock**” means Margin Stock owned by the Consolidated Group the value of which (determined as required under clause 2(i) of the definition of “Indirectly Secured” set forth in Regulation U) represents not more than 25% of the aggregate value (determined as required under clause (2)(i) of the definition of “Indirectly Secured” set forth in Regulation U), on a consolidated basis, of the property and assets of the Consolidated Group (excluding any Margin Stock) that is subject to the provisions of Clause 11.13 (*No Encumbrance*) or Clause 11.15 (*No Merger or Change of Business*).

“**Revision Date**” has the meaning given in Paragraph (b) of Clause 6.2.2 (*Overdue Interest Rate*);

“**Sanctioned Country**” means, at any time, a country, region or territory which is itself the subject or target of comprehensive Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

“**Sanctioned Person**” means, at any time:

- (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the Ministry of Finance of Japan, the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom, any relevant and applicable European Union member state or other relevant sanctions authority;
- (b) any Person operating, organized or resident in a Sanctioned Country;
- (c) any Person owned or controlled by any such Person or Persons described in the foregoing Clauses (a) or (b); or
- (d) any Person otherwise the subject of any Sanctions.

“**Sanctions**” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, (b) the Japanese government, including those imposed under the Foreign Exchange Act and the Import Trade Control Order of Japan (Cabinet Order No. 414 of 1949, as amended) or (c) the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom or any relevant and applicable European Union member state or other relevant sanctions authority.

“**Scheme**” means a scheme of arrangement to be effected under Article 125 of the Jersey Companies Law between Target and the Scheme Shareholders pursuant to which the Borrower will become the holder of all of the Scheme Shares in accordance with the Scheme Documents, subject to such changes and amendments to the extent not prohibited by the Loan Documents.

“**Scheme Circular**” means the document issued by or on behalf of Target to the Scheme Shareholders setting out the terms and conditions of and an explanatory statement in relation to the Scheme, stating the recommendation of the Target Acquisition and the Scheme to the Scheme Shareholders by the board of directors of Target and setting out the notices of the Court Meeting and the General Meeting as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“**Scheme Documents**” means, collectively (a) the Scheme Press Release, (b) the Scheme Circular, (c) the Scheme Resolutions and (d) any other document issued by or on behalf of Target to its shareholders in respect of the Scheme and any other document designated as a “Scheme Document” by JBIC and the Borrower.

“**Scheme Effective Date**” means the date on which the Court Order sanctioning the Scheme is duly delivered on behalf of Target to the Registrar in accordance with Article 125(3) of the Jersey Companies Law.

“**Scheme Press Release**” means a press announcement released by the Borrower in accordance with Rule 2.7 of the City Code announcing that the Target Acquisition is to be effected by a Scheme and setting out the terms and conditions of the Scheme.

“**Scheme Resolutions**” means the resolutions of the shareholders of Target which are required to implement the Scheme and which are referred to and substantially in the form set out in the Scheme Circular and which are to be proposed at the General Meeting.

“**Scheme Shareholders**” means the registered holders of Scheme Shares at the relevant time.

“**Scheme Shares**” means the Target Shares which are subject to the Scheme in accordance with its terms.

“**Short Value**” has the meaning given in Clause 8.3 (*Different Currency Receipt*).

“**Significant Subsidiary**” means any Subsidiary of the Borrower that constitutes a “significant subsidiary” under Regulation S-X promulgated by the Securities and Exchange Commission, as in effect from time to time.

“**Single Employer Plan**” means a single employer plan, as defined in Section 4001 (a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“**Specified Currency**” has the meaning given in Clause 2.2 (*Currency*).

“**Specimen Signatures**” means authenticated, as per Borrower’s existing procedures, specimen of signatures of and certificates of incumbency in respect of any Person(s) who are referred to in the Evidence of Authority.

“**Subsidiary**” means, with respect to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“**Takeover Offer**” means a “takeover offer” within the meaning of Article 116(1) of the Jersey Companies Law proposed to be made by the Borrower to acquire (directly or indirectly) Target Shares,

substantially on the terms and conditions set out in an Offer Press Announcement (as such offer may be amended in any way which is not prohibited by the terms of the Loan Documents).

“Takeover Offer Document” means the document issued by or on behalf of the Borrower and dispatched to shareholders of the Target in respect of a Takeover Offer containing the terms and conditions of the Takeover Offer reflecting the Offer Press Announcement in all material respects as such document may be amended from time to time to the extent such amendment is not prohibited by the Loan Documents.

“Target” means Shire plc.

“Target Acquisition” means the direct or indirect acquisition, pursuant to the Offer Documents or Scheme Documents, as applicable, of the Target Shares, which acquisition will be effected pursuant to a Takeover Offer or Scheme.

“Target Group” means the Target and its Subsidiaries.

“Target Shares” means all of the issued and to be issued ordinary shares in the capital of the Target (including any issued pursuant to the exercise of any options or awards or other instruments convertible into or exchangeable for shares of the Target).

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including back-up withholdings), assessments, fees or other like charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Transactions” means the Target Acquisition, the entry into this Agreement and the transactions contemplated hereby, the borrowings by the Borrower under the Commitments, and in each case, related fees costs and expenses.

“Unrestricted Margin Stock” means any Margin Stock owned by the Consolidated Group which is not Restricted Margin Stock.

“Unutilized Amount” means an amount equal to the difference between (A) the amount of the Facility and (B) the total aggregate amount actually disbursed to the Borrower under this Agreement.

“U.S. Dollars” or “US\$” means the lawful currency of the United States of America from time to time.

“Voting Stock” means shares of capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

“Withdrawal Liability” has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

Attachment 3 Conditions Precedent

Part 1 Conditions Precedent Documents to the Disbursement

- (a) JBIC (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement and the other Loan Documents signed on behalf of such party or (ii) written evidence reasonably satisfactory to JBIC (which may include .pdf or facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.
- (b) All fees and other amounts then due and payable by the Borrower to JBIC under the Loan Documents or pursuant to any fee or similar letters relating to the Loan Documents shall be paid, to the extent invoiced by the relevant person at least one Business Day prior to the Effective Date and to the extent such amounts are payable on or prior to the Effective Date.
- (c) JBIC shall have received on or before the Effective Date, each dated on or about such date:
 - (i) Certified copies of the resolutions or similar authorizing documentation of the governing bodies of the Borrower authorizing such Person to enter into and perform its obligations under the Loan Documents to which it is a party;
 - (ii) Certified copies of the Borrower's articles of incorporation, certificate of incorporation and bylaws (or comparable organizational documents) and any amendments thereto;
 - (iii) A certificate of commercial registry (*rireki jikou zenbu shomeisho*) of the Borrower issued by a Legal Affairs Bureau and certifying that all information required to be registered under the laws of Japan has been registered in the commercial registry;
 - (iv) A customary certificate of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder; and
 - (v) A favorable opinion letter of Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters, in each case in form and substance reasonably satisfactory to JBIC.
- (d) JBIC shall have received a copy, certified by the Borrower, of the Original Scheme Press Release.
- (e) JBIC shall have received, at least three (3) Business Days prior to the Effective Date, so long as requested no less than ten (10) Business Days prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Criminal Proceeds Transfer Prevention Act of Japan (Law No. 22 of 2007, as amended), in each case relating to the Borrower and its Subsidiaries, including the Borrower.
- (f) JBIC shall have received a copy of the Disclosure Letter, it being acknowledged that JBIC shall not have any approval right as regards the form or contents of the Disclosure Letter.

Part 2 Further Conditions Precedent

- (a) The Effective Date shall have occurred.
- (b) If the Target Acquisition is effected by way of a Scheme, JBIC shall have received:
 - (i) a certificate of the Borrower signed by a director certifying:
 - (A) that the confirmation provided to JBIC pursuant to paragraph (c)(iv) of Part 1 of Attachment 3 remains correct, or otherwise a new confirmation in substantially the same form setting out the names and true signatures of the officers of the Borrower authorized to sign the documents to be delivered by it under this Agreement;

- (B) the date on which the Scheme Circular was posted to the shareholders of the Target;
 - (C) the date on which the Court has sanctioned the Scheme and that the Court Order has been duly delivered to the Registrar in accordance with Article 125(3) of the Jersey Companies Law;
 - (D) confirmation as to the satisfaction of each condition set forth in Clauses (d) and (e) below;
 - (E) the Target Acquisition shall have been, or, within the time period permitted by the City Code, shall be, consummated in all material respects in accordance with the terms and conditions of the Scheme Documents except to the extent not prohibited by the Loan Documents; and
 - (F) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or to the extent not prohibited by the Loan Documents; and
- (ii) a copy of the Scheme Circular which is consistent in all material respects with the terms and conditions in the Scheme Press Release and the Scheme Resolutions, in each case, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or by a court of competent jurisdiction or are not prohibited by the Loan Documents.
- (c) If the Target Acquisition is effected by way of a Takeover Offer, the JBIC shall have received:
- (i) a certificate of the Borrower signed by a director certifying:
 - (A) the date on which the Takeover Offer Document was posted to the shareholders of the Target;
 - (B) confirmation as to the satisfaction of each condition set forth in clauses (d) and (e) below;
 - (C) each copy of the documents specified in paragraph (ii) below is correct and complete and has not been amended or superseded on or prior to the Closing Date, except to the extent such changes thereto have been required pursuant to the City Code or required by the Panel or are not prohibited by the Loan Documents; and
 - (D) the Takeover Offer has been declared unconditional in all respects without any material amendment, modification or waiver of the conditions to the Takeover Offer or of the Acceptance Condition except to the extent not prohibited by the Loan Documents; and
 - (ii) a copy of the Takeover Offer Document which is consistent in all material respects with the terms and conditions in the Offer Press Announcement, except to the extent changes thereto have been required pursuant to the City Code or required by the Panel or a court of competent jurisdiction or are permitted under the Loan Documents.
- (d) On the date of the applicable borrowing request and on the proposed date of such borrowing (x) no Certain Funds Default is continuing or would result from the proposed Disbursement and (y) all the Certain Funds Representations are true or, if a Certain Funds Representation does not include a materiality concept, true in all material respects.

- (e) JBIC shall have received a Request for Disbursement in accordance with the Disbursement Procedure.
- (f) JBIC shall have received a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower and its Subsidiaries as of and for the twelve-month period ending on the last day of the most recently completed four- fiscal quarter period ended at least 45 days prior to the Closing Date prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such statement of income) (the “Pro-Forma Financials”), it being acknowledged that JBIC shall not have any approval right as regards the form or contents of the Pro-Forma Financials.
- (g) It is not illegal for JBIC to lend and there is no injunction, restraining order or equivalent prohibiting JBIC from lending the Loan or restricting the application of the proceeds thereof.

Attachment 4 Disbursement Procedure

Unless otherwise agreed in writing by the parties to this Agreement, the Disbursement under this Agreement shall be made in accordance with the following procedures:

1. Request for Disbursement

- 1.1 If the Borrower shall seek Disbursement in respect of the Target Acquisition, the Borrower shall, at least three (3) Business Days prior to the intended date of Disbursement, submit to JBIC a duly completed Request for Disbursement as per the attached Form 1 signed by the Borrower and accompanied by a duly completed and signed Statement of Expenditures as per the attached Form 2.
- 1.2 The Request for Disbursement and the Statement of Expenditures shall be reviewed by JBIC as to its compliance with the provisions of this Agreement. If the Request for Disbursement results in Certain Funds Default or a Certain Funds Representation remains incorrect or, if a Certain Funds Representation does not include a materiality concept, incorrect in any material respect, JBIC may refuse to make the Disbursement.
- 1.3 The Borrower shall submit to JBIC a revised Statement of Expenditures promptly after such expenditure occurred.

2. Disbursement

- 2.1 The Disbursement, not later than the third (3rd) Business Day following receipt by JBIC of the Request for Disbursement, shall be made to the Borrower on the intended date of Disbursement in the Eligible Currency by means of a telegraphic transfer into the Borrower's account in the name of the Borrower set forth in the Request for Disbursement (the "Account") in accordance with this Agreement including, without limitation, Clause 4 (*Conditions Precedent and Disbursement*) of this Agreement and this Attachment 4 (*Disbursement Procedure*), provided that, if the said intended date of Disbursement is not a Business Day, the Disbursement shall be made on the immediately succeeding Business Day.
- 2.2 The receipt of remittance by the Borrower denominated in the Eligible Currency into the Account shall be the Disbursement of the Facility under this Agreement and shall, as from the date of such receipt, constitute a valid and binding obligation upon the Borrower in respect of repayment of the corresponding amount of the Loan and the payment of interest and any other amount payable hereunder in relation thereto.
- 2.3 The Borrower shall issue a notice of the receipt of remittance in form and substance reasonably satisfactory to JBIC promptly after the receipt of remittance.
- 2.4 No more than one (1) Disbursement shall be made hereunder.

3. General

On the day on which the Disbursement shall be made, the amount of the Facility shall be reduced by the amount of the Disbursement. Notwithstanding any provision of this Agreement to the contrary, JBIC shall not be required to make the Disbursement hereunder if, as a result thereof, the amount of the Facility would thereby be exceeded.

Request for Disbursement
(JBIC Loan to Takeda)

Date: _____
Serial No.: _____

Japan Bank for International Cooperation
4-1, Ohtemachi 1-chome,
Chiyoda-ku, Tokyo 100-8144, Japan

Attn: Director General
Industry Finance Group
Corporate Finance Department

Dear Sirs:

In accordance with Section 1 (*Request for Disbursement*) of Attachment 4 to the loan agreement dated _____, (JBIC Loan to Takeda) (the "Agreement"), we hereby request you to disburse the amount specified below. Terms used herein and not defined herein have the meanings given thereto in the Agreement.

Date of Disbursement:

Disbursement Amount in the Eligible Currency:

Please make the Disbursement of the above-mentioned amount by means of a telegraphic transfer into the following account.

Bank Name/Branch Name:

Address of the Branch:

Account Name/Account Number:

SWIFT:

We enclose the Statement of Expenditures specifying the above-mentioned amount for your Disbursement and the Disbursement Plan.

We hereby certify that, as at the date hereof, (x) no Certain Funds Default is continuing or would result from the Disbursement requested herein and (y) all the Certain Funds Representations are true, or, if a Certain Funds Representation does not include a materiality construct, true in all material respects.

Yours faithfully,
(name of the Borrower)

(name and title of signer)

Date:

Serial No.:

Statement of Expenditures
(JBIC Loan to Takeda)

1	2	3	4	5	6	7
Name of Payee	Category of Expenditure	Brief Description of Payment	Date of Payment	Amount in Currency of Expenditure	Exchange Rate	Amount in the Eligible Currency

(A) Total	
(B) Amount to be disbursed	

*	
*	

Remarks:

(name of the Borrower)
(authorized signature)

* Please insert the amount denominated in the Eligible Currency.

Attachment 5 Planned Amortization Schedule

Installment Number	Date Due	Amount in U.S.Dollars
1	December 11th, 2025	US\$ 3,700,000,000.00
Total		US\$ 3,700,000,000.00

Attachment 6 Form of Compliance Certificate

Japan Bank for International Cooperation
4-1, Otemachi 1-chome, Chiyoda-ku,
Tokyo 100-8144

Attention: Director General
Industry Finance Group
Corporate Finance Department

Facsimile: +81-3-5218-3967

[Date]

Ladies and Gentlemen:

Reference is hereby made to the loan agreement dated as of _____ 2018 (as the same day may be amended, restated, supplemented or otherwise modified from time to time, the “**Loan Agreement**”), between Takeda Pharmaceutical Company Limited (the “**Borrower**”) and JBIC. Capitalized term used but not defined herein shall have the meanings assigned to such terms in the Loan Agreement.

The undersigned is the [**Chief Executive Officer / Chief Financial Officer / Treasurer**] of the Borrower (the “**Authorized Officer**”) and, as such, the undersigned is authorized to execute and deliver this Compliance Certificate to the JBIC on behalf of the Borrower in accordance with clause 11.8(a)(iii) of the Loan Agreement. The Authorized Officer hereby certifies as follows, in his/ her capacity as an officer of the Borrower and not in his/ her individual capacity:

1. I have review the terms of the Loan Agreement and I have made, or caused to be made under my supervision, a view in reasonable detail of the transactions and conditions of the Consolidated Group during the accounting period covered by the financial statements have been prepared in accordance with IFRS (subject to the absence of footnotes and year end audit adjustments); and
2. The examinations described in paragraph 1 did not disclose[, except as set forth below], and I have no knowledge of the existence of any condition or event which constitutes a Default or Event of Default during or at the end of accounting period covered by the attached financial statements or as of the date of this Compliance Certificate; and
 - a. [**Please specify in reasonable detail each condition or event which constitutes a Default or Event of Default and any action taken or proposed to be taken with respect thereto**];and
3. The Borrower is in compliance with the each of the Financial Covenants as shown in the calculations attached hereto as Annex II.

FINANCIAL STATEMENTS FOR PERIOD ENDING [_____]

[To be attached unless the Borrower is deemed to have delivered the financial statements pursuant to Paragraph (b) of Clause 11.8 (*Reporting Requirements*)]

CALCULATION OF COMPLIANCE WITH FINANCIAL COVENANTS

[To be attached]

Consent of Independent Registered Public Accounting Firm

To the Board of Directors
Takeda Pharmaceutical Company Limited:

We consent to the use of our report dated September 10, 2018, with respect to the consolidated statements of financial position of Takeda Pharmaceutical Company Limited and subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of income, income and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes, included herein and to the reference to our firm under the heading “Statement by Experts” in this registration statement on Form 20-F.

/s/ KPMG AZSA LLC

Tokyo, Japan
December 6, 2018

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form 20-F of our report dated February 16, 2018 relating to the consolidated financial statements and the financial statement schedule of Shire plc, appearing in this Registration Statement.

We also consent to the reference to us under the heading “Statement by Experts” in such Registration Statement.

/s/ DELOITTE LLP

London, United Kingdom
December 6, 2018

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Income (Unaudited)

	JPY (millions)					
	Six months period ended September 30,			Three months period ended September 30,		
	Note	2017	2018	Note	2017	2018
Revenue	4	881,416	880,611	4	433,177	430,777
Cost of sales		(242,741)	(231,341)		(121,873)	(110,751)
Selling, general and administrative expenses		(297,263)	(293,783)		(151,396)	(148,755)
Research and development expenses		(155,096)	(151,432)		(79,408)	(79,466)
Amortization and impairment losses on intangible assets associated with products		(56,885)	(48,288)		(24,395)	(24,267)
Other operating income	5	136,935	32,331		5,635	23,047
Other operating expenses	6	(32,017)	(16,142)		(22,366)	(17,499)
Operating profit		234,349	171,956		39,374	73,086
Finance income		14,116	4,411		619	2,469
Finance expenses		(15,983)	(19,618)		(6,019)	(9,109)
Share of profit of investments accounted for using the equity method		506	4,031		772	471
Profit before tax		232,988	160,780		34,746	66,917
Income tax expenses		(60,318)	(34,291)		(7,065)	(18,508)
Net profit for the period		<u>172,670</u>	<u>126,489</u>		<u>27,681</u>	<u>48,409</u>
Attributable to:						
Owners of the Company		172,816	126,668		28,027	48,426
Non-controlling interests		(146)	(179)		(346)	(17)
Net profit for the period		<u>172,670</u>	<u>126,489</u>		<u>27,681</u>	<u>48,409</u>
Earnings per share (JPY)						
Basic earnings per share	7	221.43	161.76	7	35.89	61.73
Diluted earnings per share	7	219.98	160.93	7	35.67	61.48

See accompanying notes to condensed interim consolidated financial statements.

(2) Condensed Interim Consolidated Statements of Income and Other Comprehensive Income (Unaudited)

	JPY (millions)					
	Six months period ended September 30,		Three months period ended September 30,			
	Note	2017	2018	Note	2017	2018
Net profit for the period		172,670	126,489		27,681	48,409
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Changes in fair value of financial assets measured at fair value through other comprehensive income		—	13,008		—	9,279
Re-measurement gain (loss) on defined benefit plans		688	(163)		10	802
		688	12,845		10	10,081
Items to be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		86,421	66,680		32,618	60,718
Net changes on revaluation of available-for-sale financial assets		8,113	—		3,778	—
Cash flow hedges		1,523	1,704		724	(884)
Hedging cost		691	(152)		161	(199)
Share of other comprehensive income (loss) of investments accounted for using the equity method		36	(171)		18	(81)
		96,784	68,061		37,299	59,554
Other comprehensive income for the period, net of tax		97,472	80,906		37,309	69,635
Total comprehensive income for the period		270,142	207,395		64,990	118,044
Attributable to:						
Owners of the Company		269,943	207,742		65,142	118,148
Non-controlling interests		199	(347)		(152)	(104)
Total comprehensive income for the period		270,142	207,395		64,990	118,044

See accompanying notes to condensed interim consolidated financial statements.

(3) Condensed Interim Consolidated Statements of Financial Position (Unaudited)

	Note	JPY (millions)	
		As of March 31, 2018	As of September 30, 2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		536,801	533,088
Goodwill		1,029,248	1,085,706
Intangible assets		1,014,264	1,067,172
Investments accounted for using the equity method		107,949	115,174
Other financial assets		196,436	221,210
Other non-current assets		77,977	90,522
Deferred tax assets		64,980	54,024
Total non-current assets		<u>3,027,655</u>	<u>3,166,896</u>
CURRENT ASSETS:			
Inventories		212,944	233,304
Trade and other receivables		420,247	461,436
Other financial assets		80,646	20,281
Income tax receivables		8,545	7,483
Other current assets		57,912	68,130
Cash and cash equivalents		294,522	317,080
Assets held for sale	12	3,992	229
Total current assets		<u>1,078,808</u>	<u>1,107,943</u>
Total assets		<u>4,106,463</u>	<u>4,274,839</u>

	Note	JPY (millions)	
		As of March 31, 2018	As of September 30, 2018
LIABILITIES AND EQUITY			
LIABILITIES			
NON-CURRENT LIABILITIES:			
Bonds and loans		985,644	879,621
Other financial liabilities		91,223	79,619
Net defined benefit liabilities		87,611	88,822
Provisions		28,042	23,912
Other non-current liabilities		68,300	65,517
Deferred tax liabilities		90,725	120,995
Total non-current liabilities		1,351,545	1,258,486
CURRENT LIABILITIES:			
Bonds and loans		18	120,913
Trade and other payables		240,259	225,752
Other financial liabilities		29,613	41,310
Accrued income taxes		67,694	61,296
Provisions		132,781	144,367
Other current liabilities		263,930	250,554
Liabilities held for sale	12	3,214	—
Total current liabilities		737,509	844,192
Total liabilities		2,089,054	2,102,678
EQUITY			
Share capital		77,914	77,942
Share premium		90,740	81,777
Treasury shares		(74,373)	(57,167)
Retained earnings		1,557,307	1,648,094
Other components of equity		350,631	417,712
Other comprehensive income related to assets held for sale		(4,795)	—
Equity attributable to owners of the Company		1,997,424	2,168,358
Non-controlling interests		19,985	3,803
Total equity		2,017,409	2,172,161
Total liabilities and equity		4,106,463	4,274,839

See accompanying notes to condensed interim consolidated financial statements.

(4) Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

Six months period ended September 30, 2017 (From April 1 to September 30, 2017)

	JPY (millions)												
	Equity attributable to owners of the Company												
	Changes in fair value of financial assets measured at fair value through other comprehensive income					Other components of equity							
Note	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Non-controlling interests	Total equity
As of April 1, 2017	65,203	74,973	(48,734)	1,511,817	221,550	67,980	1,472	—	—	291,002	—	54,704	1,948,965
Net profit for the period	—	—	—	172,816	—	—	—	—	—	—	—	(146)	172,670
Other comprehensive income	—	—	—	—	86,093	8,132	1,523	691	688	97,127	—	345	97,472
Comprehensive income for the period	—	—	—	172,816	86,093	8,132	1,523	691	688	97,127	—	199	270,142
Transactions with owners:													
Issuance of new shares	754	754	—	—	—	—	—	—	—	—	—	—	1,508
Acquisition of treasury shares	—	—	(18,742)	—	—	—	—	—	—	—	—	—	(18,742)
Disposal of treasury shares	—	—	0	0	—	—	—	—	—	—	—	0	0
Dividends	—	—	—	(70,956)	—	—	—	—	—	—	—	(2,189)	(73,145)
Changes in ownership	—	—	—	—	—	—	—	—	—	—	—	(32,750)	(32,750)
Transfers from other components of equity	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	8,572	—	688	—	—	—	—	(688)	(688)	—	—	—
Exercise of share-based awards	—	(14,758)	15,905	—	—	—	—	—	—	—	—	—	8,572
Transfers to non-financial assets	—	—	—	—	—	—	—	—	—	—	—	—	1,147
Total transactions with owners	754	(5,432)	(2,837)	(70,268)	—	—	—	—	(688)	(688)	—	—	(78,471)
As of September 30, 2017	65,957	69,541	(51,571)	1,614,365	307,643	76,112	2,995	691	—	387,441	—	19,964	2,105,697

See accompanying notes to condensed interim consolidated financial statements.

Six months period ended September 30, 2018 (From April 1 to September 30, 2018)

JPY (millions)																
Equity attributable to owners of the Company																
Other components of equity																
	Note	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income			Other components of equity						
							Net changes on revaluation of available-for-sale financial assets	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity	
As of April 1, 2018		77,914	90,740	(74,373)	1,557,307	272,597	—	73,037	3,391	1,606	—	350,631	(4,795)	1,997,424	19,985	2,017,409
Cumulative effects of changes in accounting policies	3				15,401		84,672	(73,037)	(1,378)			10,257		25,658	(10)	25,648
Restated balance		77,914	90,740	(74,373)	1,572,708	272,597	84,672	—	2,013	1,606		360,888	(4,795)	2,023,082	19,975	2,043,057
Net profit for the period					126,668									126,668	(179)	126,489
Other comprehensive income (loss)						61,937	12,954		1,704	(152)	(164)	76,279	4,795	81,074	(168)	80,906
Comprehensive income (loss) for the period					126,668	61,937	12,954		1,704	(152)	(164)	76,279	4,795	207,742	(347)	207,395
Transactions with owners:																
Issuance of new shares		28	28											56		56
Acquisition of treasury shares				(1,158)										(1,158)		(1,158)
Disposal of treasury shares			(0)	3	(71,188)									3	(168)	(71,356)
Dividends	9				(2,126)	230						230		(1,896)	(15,657)	(17,553)
Changes in ownership																
Transfers from other components of equity					22,032		(22,196)				164	(22,032)				
Share-based compensation			9,384											9,384		9,384
Exercise of share-based awards			(18,375)	18,361										(14)		(14)
Transfers to non-financial assets									2,347			2,347				2,347
Total transactions with owners		28	(8,963)	17,206	(51,282)	230	(22,196)		2,347		164	(19,455)		(62,466)	(15,825)	(78,291)
As of September 30, 2018		77,942	81,777	(57,167)	1,648,094	334,764	75,430		6,064	1,454		417,712		2,168,358	3,803	2,172,161

(5) Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

	JPY (millions)	
	Six months period ended September 30,	
	2017	2018
Cash flows from operating activities:		
Net profit for the period	172,670	126,489
Depreciation and amortization	93,420	77,976
(Reversal of) Impairment losses	(9,229)	690
Share-based compensation	8,572	9,384
Loss (gain) on sales and disposal of property, plant and equipment	50	(5,623)
Gain on divestment of business	(3,086)	(2,266)
Gain on sales of subsidiaries	(106,619)	(14,365)
Change in fair value of contingent consideration	6,646	(1,230)
Finance income and expenses, net	1,867	15,207
Share of gain of associates accounted for using the equity method	(506)	(4,031)
Income tax expenses	60,318	34,291
Changes in assets and liabilities:		
Increase in trade and other receivables	(35,033)	(44,721)
Increase in inventories	(3,019)	(21,485)
Decrease in trade and other payables	(7,559)	(230)
Increase (decrease) in provisions	(4,825)	1,594
Other, net	(2,778)	(35,001)
Cash generated from operations	170,889	136,679
Income taxes paid	(28,168)	(20,407)
Tax refunds and interest on tax refunds received	24,309	1,562
Net cash from operating activities	167,030	117,834
Cash flows from investing activities:		
Interest received	1,083	1,037
Dividends received	6,094	1,575
Acquisition of property, plant and equipment	(36,303)	(37,314)
Proceeds from sales of property, plant and equipment	76	6,046
Acquisition of intangible assets	(46,910)	(21,105)
Acquisition of investments	(5,787)	(10,340)
Proceeds from sales and redemption of investments	14,346	38,196
Acquisition of businesses, net of cash and cash equivalents acquired	(17,787)	(66,749)
Proceeds from sales of business, net of cash and cash equivalents divested	85,036	27,199
Proceeds from withdrawal of restricted deposits	—	71,774
Other, net	23,344	(12,461)
Net cash from (used in) investing activities	23,192	(2,142)
Cash flows from financing activities:		
Net decrease in short-term loans	(403,948)	(362)
Proceeds from long-term loans	337,154	—
Proceeds from issuance of bonds	56,299	—
Purchase of treasury shares	(18,729)	(1,158)
Interest paid	(3,587)	(4,467)
Dividends paid	(70,966)	(71,448)
Acquisition of non-controlling interests	—	(2,392)
Repayment of obligations under finance lease	(1,297)	(1,284)
Facility fees paid for loan agreements	—	(15,404)
Other, net	(3,056)	(659)
Net cash used in financing activities	(108,130)	(97,174)
Net increase in cash and cash equivalents	82,092	18,518
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	319,455	294,522
Cash and cash equivalents reclassified back from assets held for sale	21,797	451
Cash and cash equivalents at the beginning of the year	341,252	294,973
Effects of exchange rate changes on cash and cash equivalents	7,551	3,589
Cash and cash equivalents at the end of the period	430,895	317,080

See accompanying notes to condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

1 Reporting Entity

Takeda Pharmaceutical Company Limited (the “Company”) is a public company incorporated in Japan.

The Company and its subsidiaries (collectively, “Takeda”) is a major global pharmaceutical group and is engaged in the research, development, manufacturing and marketing of pharmaceutical products, over-the-counter (“OTC”) medicines and quasi-drug consumer products, and other healthcare products. Takeda’s principal pharmaceutical products include medicines in the following therapeutic areas: gastroenterology, oncology and neuroscience.

2 Basis of Preparation

(1) Compliance

Takeda has prepared the condensed interim consolidated financial statements in accordance with IAS34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

The condensed interim consolidated financial statements do not contain all the information required in consolidated financial statements as of the end of a fiscal year. Therefore, the condensed interim consolidated financial statements should be used with the consolidated financial statements as of and for the fiscal year ended March 31, 2018.

(2) Functional Currency and Presentation Currency

The condensed interim consolidated financial statements are presented in Japanese yen (“JPY”), which is the functional currency of the Company. All financial information presented in JPY has been rounded to the nearest million, except when otherwise indicated.

(3) Approval of Financial Statements

Takeda’s condensed interim consolidated financial statements as of and for the period ended September 30, 2018 were approved on November 8, 2018 by Representative Director, President & Chief Executive Officer (“CEO”) Christophe Weber and Corporate Officer & Chief Financial Officer Costa Saroukos.

(4) Use of Judgments, Estimates and Assumptions

The preparation of the condensed interim consolidated financial statements requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis by the management. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The condensed interim consolidated financial statements are prepared based on the same judgments and estimations as well as the accounting estimates and assumptions applied and described in Takeda’s consolidated financial statements for the fiscal year ended March 31, 2018, except for new significant judgments and uncertainty of the estimations related to the application of IFRS 9 ‘Financial instruments’ (“IFRS 9”) and IFRS 15 ‘Revenue from Contracts with Customers’ (“IFRS 15”), which are described in Note 3 “Significant Accounting Policies”.

3 Significant Accounting Policies

Significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements of the fiscal year ended March 31, 2018 except for the policies required by IFRS 9 and IFRS 15.

Takeda calculated income tax expenses for the six months period ended September 30, 2018, based on the estimated average annual effective tax rate.

IFRS 9 'Financial instruments'

IFRS 9 was adopted by Takeda as of April 1, 2018. IFRS 9 replaces the majority of the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and covers the classification, recognition, measurement, and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model.

The principal impact of the adoption of IFRS 9 for Takeda was the re-measurement of certain available-for-sale financial instruments to fair value as of April 1, 2018. In addition, as a result of adoption, Takeda elected to designate equity instruments as financial assets measured at fair value through other comprehensive income (FVTOCI). This designation has been made on the basis of the facts and circumstances that existed at the date of initial application. Changes in the fair value of financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative amount of other comprehensive income is transferred to retained earnings when the instruments are derecognized due to liquidation or sale.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

The impairment of financial assets measured at amortized cost is assessed using an expected credit loss (ECL) model where previously the incurred loss model was used. Given the nature of Takeda's financial assets, there was no significant impact on the provisions for doubtful accounts or impairments upon adoption of the new standard.

The adoption of IFRS 9 has not had material impact on Takeda's financial liabilities and derivatives.

The new hedge accounting model introduced by the standard requires hedge accounting relationships to be based upon Takeda's own risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The model is to be discontinued only when the relationships no longer qualify for hedge accounting. All hedging relationships designated under IAS39 at March 31, 2018 met the criteria for hedge accounting under IFRS 9 at April 1, 2018 and are therefore regarded as continuing hedging relationships.

Takeda applied IFRS 9 retrospectively with respect to classification and measurement (including impairment) without restating previous years. These cumulative effects of initially applying IFRS 9 were recognized in equity as of the date of initial application of IFRS 9 (April 1, 2018). As a result of the adoption on the date of initial application, the opening balance of retained earnings and other components of equity increased by 14,073 million JPY and 10,257 million JPY, respectively, while other financial assets (non-current), other financial assets (current), deferred tax liabilities increased by 32,809 million JPY, 856 million JPY and 9,345 million JPY respectively, with non-controlling interests decreasing by 10 million JPY.

In addition, under IAS 39, the currency basis spread was included in "Cash Flow Hedges" under other components of equity. Under IFRS 9, this basis spread is separately accounted for and presented as "Hedging Cost" under other components of equity. Takeda retrospectively applied the accounting treatment

of hedging cost and adjusted the comparative information. As of September 30, 2017 and March 31, 2018, the amounts retrospectively recorded as “Hedging Cost” and deducted from “Cash Flow Hedges” were 691 million JPY and 1,606 million JPY, respectively.

Classifications and carrying amounts of financial assets under IAS 39 and IFRS 9 as of the date of adoption were changed as presented in the table below. For investments in equity instruments, Takeda made an irrevocable election at the time of initial recognition to account for the equity instruments at FVTOCI. There were no changes to the classifications and carrying amounts of the financial liabilities.

JPY (millions)				
	IAS 39	Carrying amount	IFRS 9	Carrying amount
Cash and cash equivalents	Loans and receivables	294,522	Financial assets measured at amortized cost	294,522
Derivatives	Financial assets measured at fair value through profit or loss	762	Financial assets measured at fair value through profit or loss	762
Derivative transactions to which hedge accounting is applied	Derivative transactions to which hedge accounting is applied	2,527	Derivative transactions to which hedge accounting is applied	2,527
Trade and other receivables, other financial assets	Loans and receivables	516,853	Financial assets measured at amortized cost	516,853
Equity instruments	Available-for-sale financial assets	169,814	Financial assets measured at fair value through other comprehensive income	203,276
Convertible notes	Loans and receivables Financial assets measured at fair value through profit or loss	5,303 2,070	Financial assets measured at fair value through profit or loss	7,576
Total		991,851		1,025,516

The following changes were made to the carrying amount of the financial assets as of the date of adoption.

JPY (millions)					
IAS 39	Carrying amount	Change in classification	Re-measurement	IFRS 9	Carrying amount
Loans and receivables	816,678	(5,303)	—	Financial assets measured at amortized cost	811,375
Financial assets measured at fair value through profit or loss	2,832	5,303	203	Financial assets measured at fair value through profit or loss	8,338
Derivative transactions to which hedge accounting is applied	2,527	—	—	Derivative transactions to which hedge accounting is applied	2,527
Available-for-sale financial assets	169,814	—	33,462	Financial assets measured at fair value through other comprehensive income	203,276
Total	991,851	—	33,665		1,025,516

Measurement of Financial Instruments

Debt Instruments:

- Amortized cost: Assets such as trade and other receivables that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. Trade receivables are

initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as rebates, and cash discounts. Provisions for doubtful trade receivables are established using an ECL model. The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. Takeda has elected to measure provisions for trade receivables and lease receivables at an amount equal to lifetime ECL. Takeda uses provision matrix to calculate ECL. These provisions represent the difference between the carrying amount of the trade receivables and the lease receivables in the consolidated statements of financial position and the estimated net collectible amount.

- FVTOCI: Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at FVTOCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to net profit or loss.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on debt instruments that is measured at FVTPL is recognized in net profit or loss.

Equity Instruments:

- Equity instruments are measured at FVTPL. However, on initial recognition, Takeda made an irrevocable FVTOCI election (on an instrument-by-instrument basis) to present the subsequent changes in the fair value of equity instruments in other comprehensive income. As at the reporting date, Takeda designated all its equity instruments as financial assets at FVTOCI.

Derivatives and Hedge Accounting:

- Derivatives are measured at FVTPL unless the derivative contracts are designated as hedging instruments. Gains or losses on derivatives are recognized in net profit or loss. When the derivative contracts are designated as hedging instruments in cash flow hedging relationships, the effective portion of changes in fair value of derivatives is accumulated in other comprehensive income. The currency basis spread is accounted for and presented as “Hedging Cost” under other components of equity separately from “Cash Flow Hedges”.

IFRS 15 ‘Revenue from Contracts with Customers’

Takeda adopted IFRS 15 on April 1, 2018. The new standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. The standard focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations are satisfied. The standard also has more detailed disclosure requirements.

The impacts of adoption of the new standard are summarized below:

- Takeda derives revenue from sales of pharmaceutical products as well as other services where control transfers to customers and performance obligations are satisfied either at the point in time of shipment, receipt of the products by the customer or when the services are performed.
- Takeda also recognizes royalty revenue relating to the out-licensing of intellectual property (IP), which is recognized when the underlying sales have occurred, and revenue from other services such as research and development of compounds out-licensed, which is recognized over the service period.

- Takeda's revenue also includes revenue from out-licensing and granting of IP rights and Takeda usually receives upfront payments or milestone payments for these arrangements. Revenue from the upfront payments is generally recognized when Takeda provides a right to use the IP. Revenue from the milestone payments is generally recognized at the point in time when it is highly probable that the respective milestone event criteria are met, and a significant reversal in the amount of revenue recognized will not occur.

These impacts of adoption of the new standard were immaterial. Takeda elected the modified retrospective method upon adoption of IFRS 15. This method requires the recognition of the cumulative effect of initially applying IFRS 15 in equity at the date of initial application of IFRS 15 (April 1, 2018) and Takeda did not restate the result of prior years. As a result of the adoption of IFRS 15, due to the difference in allocation of revenue to performance obligations, other non-current liabilities, other current liabilities, deferred tax assets decreased by 1,247 million JPY, 495 million JPY and 414 million JPY respectively, and opening retained earnings increased by 1,328 million JPY.

For the six months period ended September 30, 2018, the impact from adoption of IFRS 15 on the condensed interim consolidated financial statements was immaterial compared to the financial statements under IAS 18.

As the results of the adoption of IFRS 15, Takeda updated and revised the related accounting policy as follows:

Revenue on sales of Takeda products and services is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, generally at the point in time of shipment to or receipt of the products by the customer, or when the services are performed. The amount of revenue to be recognized is based on the consideration Takeda expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The consideration Takeda receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. The most common elements of variable consideration are listed below:

- Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed healthcare organizations and other customers are estimated and recorded as a deduction from revenue at the time the related revenues are recorded. They are calculated on the basis of historical experience and the specific terms in the individual agreements.
- Cash discounts are offered to customers and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Sales return provisions are recognized and recorded as revenue deductions when there is historical experience of Takeda agreeing to customer returns and Takeda can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. The rate is multiplied by the amounts invoiced in order to estimate expected future returns.

Takeda also generates revenue in the form of royalty payments, upfront payments, and milestone payments from the out-licensing of intellectual property (IP). Royalty revenue earned through a license is recognized when the underlying sales have occurred. Revenue from upfront payment is generally recognized when Takeda provides a right to use IP. Revenue from milestone payments is recognized at the point in time when it is highly probable that the respective milestone event criteria is met, and a significant reversal in the amount of revenue recognized will not occur.

Revenue from other services such as research and development of compounds that are out-licensed is recognized over the service period.

4 Revenue

The disaggregation of revenue by goods and services is as follows:

	JPY (millions)	
	Six months period ended September 30, 2017	September 30, 2018
Sales of pharmaceutical products	838,266	855,722
Royalty and service income	43,150	24,889
Total	881,416	880,611

	JPY (millions)	
	Three months period ended September 30, 2017	September 30, 2018
Sales of pharmaceutical products	420,348	418,891
Royalty and service income	12,829	11,886
Total	433,177	430,777

The disaggregation of revenue by geographic location is as follows. This disaggregation provides revenue attributable to countries or regions based on the customer location.

Six months period ended September 30,	JPY (millions)							Total
	Japan	U.S.	Europe and Canada	Russia/ CIS	Latin America	Asia	Other	
2017	294,987	301,784	148,938	35,111	36,063	49,189	15,344	881,416
2018	274,243	321,079	158,603	27,484	34,685	51,905	12,612	880,611

Other includes the Middle East, Oceania and Africa.

Three months period ended September 30,	JPY (millions)							Total
	Japan	U.S.	Europe and Canada	Russia/ CIS	Latin America	Asia	Other	
2017	134,691	153,196	75,366	18,072	19,111	24,038	8,703	433,177
2018	129,983	159,979	79,481	13,359	16,180	25,024	6,771	430,777

Other includes the Middle East, Oceania and Africa.

5 Other Operating Income

Other operating income for the six months period ended September 30, 2017 included the gain on the sale of shares of 106,337 million JPY which was due to the sale of shareholding in Wako Pure Chemical, Ltd. to FUJIFILM corporation.

Other operating income for the six months period ended September 30, 2018 included the gain on the sale of shares of 18,381 million JPY which was due to the sale of shareholding in Guangdong Techpool Bio-Pharma Co., Ltd. to Shanghai Pharmaceutical Holding Co. Ltd. and SFund International Investment Fund Management Limited.

6 Other Operating Expenses

Other operating expenses for the six months period ended September 30, 2017 included expenses from reorganizations activities, which was mainly due to reductions in the workforce and consolidation of sites

and functions to improve the efficiency of its operations (“Restructuring expenses”). The amount of the Restructuring expenses was 13,723 million JPY which included R&D transformation costs, and the post-merger integration costs related to the acquisition of ARIAD Pharmaceuticals, Inc. as well as the expenses of 6,646 million JPY associated with changes in contingent considerations (*).

Other operating expenses for the six months period ended September 30, 2018 included the restructuring expenses of 14,097 JPY related to global operating expense reduction initiative and R&D transformation initiative as well as the proposed Shire acquisition. In addition, other operating expenses for the same period also included the reversal of pre-launch inventory write-offs of (7,710) million JPY due to regulatory approval and the loss of 4,016 million JPY which was due to the sale of shareholding in Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. to Novamed Fabricação de Produtos Farmacêuticos Ltda.

(*). The contingent considerations are recognized at fair value as part of the purchase price when specified future events arising from business combinations occur.

7 Earnings Per Share

The basis for calculating basic and diluted earnings per share (attributable to owners) is as follows:

	Six months period ended September 30,	
	2017	2018
Net profit for the period attributable to owners of the Company		
Net profit attributable to owners of the Company (million JPY)	172,816	126,668
Net profit used for calculation of earnings per share (million JPY)	172,816	126,668
Weighted average number of ordinary shares outstanding during the period (thousands of shares) [basic]	780,468	783,062
Dilutive effect (thousands of shares)	5,122	4,030
Weighted average number of ordinary shares outstanding during the period (thousands of shares) [diluted]	785,590	787,092
Earnings per share		
Basic (JPY)	221.43	161.76
Diluted (JPY)	219.98	160.93

	Three months period ended September 30,	
	2017	2018
Net profit for the period attributable to owners of the Company		
Net profit attributable to owners of the Company (million JPY)	28,027	48,426
Net profit used for calculation of earnings per share (million JPY)	28,027	48,426
Weighted average number of ordinary shares outstanding during the period (thousands of shares) [basic]	780,971	784,436
Dilutive effect (thousands of shares)	4,853	3,248
Weighted average number of ordinary shares outstanding during the period (thousands of shares) [diluted]	785,824	787,684
Earnings per share		
Basic (JPY)	35.89	61.73
Diluted (JPY)	35.67	61.48

8 Collaborations and Licensing Arrangements

Takeda is a party to certain collaborative and licensing arrangements. These agreements generally provide for commercialization rights to a product or products being developed by the counterparty, and, in exchange, often resulted in upfront payments upon execution of the agreement and resulting in an obligation that requires Takeda to make future development, regulatory approval, or commercial milestone payments as well as royalty payments. In some of these arrangements, Takeda and the licensee are both actively involved in the development and commercialization of the licensed product, and have exposure to risks and rewards that are dependent on its commercial success.

The significant agreements in collaboration and licensing during the six months period ended September 30, 2018 is described below.

Wave Life Sciences Ltd. (“Wave”)

In February 2018, Takeda entered into an agreement with Wave to discover, develop and commercialize nucleic acid therapies for disorders of the central nervous system (“CNS”) and the agreement became effective in April 2018 after the receipt of clearance under the Hart-Scott- Rodino Antitrust Improvement Act (HSR Act). Under the agreement, Wave will provide Takeda the option to co-develop and co-commercialize programs in areas of Huntington’s disease (HD), amyotrophic lateral sclerosis (ALS), frontotemporal dementia (FTD) and spinocerebellar ataxia type 3 (SCA3). In addition, Takeda will have the right to license multiple preclinical programs targeting CNS disorders, including Alzheimer’s disease and Parkinson’s disease. The agreement required upfront payments, investment in Wave and future contingent payments such as development and commercial milestone payments. Wave will continue to independently advance its activities in neuromuscular diseases including its lead clinical program for the treatment of Duchene muscular dystrophy (DMD).

9 Dividends

Dividends Declared and Paid	Total dividends (million JPY)	Dividends per Share (JPY)	Basis Date	Effective Date
April 1, 2017 to September 30, 2017	71,133	90.00	March 31, 2017	June 29, 2017
April 1, 2018 to September 30, 2018	71,507	90.00	March 31, 2018	June 29, 2018

Dividends declared for which the effective date falls after September 30, 2018 are as follows:

Dividends Declared	Total dividends (million JPY)	Dividends per Share (JPY)	Basis Date	Effective Date
Board of Directors on October 31, 2018	71,509	90.00	September 30, 2018	December 3, 2018

10 Financial Instruments

(1) Fair Value Measurements

(i) Financial assets and liabilities measured at fair value through profit or loss

The fair value of derivatives to which hedge accounting was not applied is measured at quoted prices or quotes obtained from financial institutions, whose significant inputs to the valuation model used are based on observable market data.

The fair value of convertible notes is measured using techniques such as the option pricing model.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration are the probability of meeting each performance target and the discount factor. The fair value measurement of contingent considerations arising from business combinations is stated in Note 11, "Business Combinations."

(ii) Financial assets measured at amortized cost

The carrying amount of financial assets measured at amortized cost approximate their fair values as these assets are settled within a short period.

(iii) Equity instruments

The fair value of listed equity instruments is measured at quoted prices or quotes obtained from financial institutions.

The fair value of unlisted equity instruments is measured using techniques such as the net asset book value method and the multiples approach. Under the multiples approach, listed companies similar to the target companies are selected, and the fair value is calculated using the stock index for those similar companies.

(iv) Derivative transactions to which hedge accounting is applied

The fair value of derivative transactions to which hedge accounting is applied is measured in the same manner as "(i) Financial assets and liabilities measured at fair value through profit or loss".

(v) Financial liabilities measured at amortized cost

The fair value of bonds is measured at quotes obtained from financial institutions, and the fair value of loans and finance leases are measured at the present value of future cash flows discounted using the applicable effective interest rate, with consideration of the credit risk by each liability group classified in a specified period.

Other current items are settled in a short period, and the coupon rates of other non-current items reflect market interest rates. Therefore, the carrying amounts of these liabilities approximate their fair values.

(2) Fair Value Hierarchy

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value that is calculated using an observable price other than that categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include input that is not based on observable market data

(3) Fair Value of Financial Instruments Carried at Cost

The carrying amount and fair value of financial instruments that are not recorded at fair value in the condensed interim consolidated statements of financial position are as follows:

	JPY (millions)	
	As of September 30, 2018	
	Carrying amount	Fair value
Bonds	176,402	174,936
Long-term loans	823,199	824,312
Finance leases	55,264	54,836

The amounts to be paid within a year are included. The fair value of bonds, long-term loans and finance leases are classified as Level 2 in the fair value hierarchy.

This table excludes financial instruments that have carrying amounts that approximates fair value.

(4) Fair Value Measurement Recognized in the Condensed Interim Consolidated Statements of Financial Position

As of September 30, 2018	JPY (millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss:				
Derivatives	—	6,161	—	6,161
Convertible notes	—	—	9,128	9,128
Derivative transactions to which hedge accounting is applied	—	11,698	—	11,698
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	147,403	31	44,731	192,165
Total	147,403	17,890	53,859	219,152
Liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	5,258	—	5,258
Contingent considerations arising from business combinations	—	—	29,762	29,762
Derivative transactions to which hedge accounting is applied	—	1,906	—	1,906
Total	—	7,164	29,762	36,926

Takeda recognizes transfers between levels of the fair value hierarchy, at the end of the reporting period during which the change has occurred. There were no transfers among Level 1, Level 2 and Level 3 for the six months period ended September 30, 2018.

Disclosures related to contingent considerations arising from business combinations are stated in Note 11, "Business Combinations".

(5) Reconciliation of Level 3 Financial Assets

	JPY (millions)
	Six months period ended September 30, 2018
Opening balance	47,789
Gain or loss:	
Net profit	148
Other comprehensive income	144
Purchases	5,791
Sales	(10)
Other	(3)
Closing balance	53,859

Gain or loss recorded in profit or loss relates to the financial assets measured at fair value through profit or loss. These gains or losses are recognized as “financial income” or “financial expenses” in the condensed interim consolidated statements of income.

Gain or loss recorded in other comprehensive income relates to the financial assets measured at fair value through other comprehensive income. These gains or losses are recognized as “Changes in fair value of financial assets measured at fair value through other comprehensive income” and “Exchange differences on translation of foreign operations” in the condensed interim consolidated statements of income and other comprehensive income.

The fair values of equity instruments are measured by Takeda’s accounting and finance departments using available information as of each closing date based on Takeda’s accounting policy. The results of the fair value measurement and the calculation process are reported to management as necessary.

The principle input that is not observable and used for the calculation of the fair value of equity instruments classified as Level 3 is the EBITDA rate used for the multiples approach, ranging from 7.4 times to 17.5 times. The fair value of the equity instruments increases (decreases) as the EBITDA rate increases (decreases).

11 Business Combinations

(1) Acquisitions

TiGenix NV (“TiGenix”)

On April 30, 2018, Takeda made an all cash voluntary public takeover bid for the entire issued ordinary shares (“Ordinary Shares”), warrants (“Warrants”) and American Depositary Shares (“ADSs” and together with the Ordinary Shares and the Warrants, the “Securities”) of TiGenix not already owned by Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR. In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.8% of the voting rights.

TiGenix is a biopharmaceutical company developing novel stem cell therapies for serious medical conditions. This acquisition will expand Takeda’s late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn’s disease (CD). Following the 2nd Takeover bid and a squeeze-out ended in July 2018, TiGenix became a wholly owned subsidiary of Takeda.

The following represents provisional fair value of assets acquired, liabilities assumed:

	JPY (millions)
	Amount
Intangible assets	63,421
Other assets	5,541
Deferred tax liabilities	(10,128)
Other liabilities	(5,678)
Basis adjustments	(3,381)
Goodwill	20,228
Total	70,003

The purchase consideration was comprised of the following:

	JPY (millions)
	Amount
Cash	67,319
The ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date	2,684
Total	70,003

Goodwill comprises excess earning power expected from the future business development. Goodwill is not deductible for tax purposes.

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of September 30, 2018. These amounts are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement. For the three months period ended September 30, 2018, goodwill at the acquisition date increased by 253 million JPY as a result of the adjustment to the provisional fair value, while other assets decreased by 253 million JPY.

Takeda entered into a forward exchange contract to hedge foreign currency risks and applied the hedge accounting to the contract. Basis adjustment represents a fair value of the hedging instrument of 3,381 million JPY that was added to the amount of goodwill at the acquisition date.

No gains or losses were recognized as a result of remeasurement of fair value of the ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date.

Acquisition-related costs of 767 million JPY which included agent fee and due diligence costs arising from the acquisition were recorded in "Selling, general and administrative expenses".

The revenue and the net profit of TiGenix for the post-acquisition period, which were recognized in the condensed interim consolidated statements of income for the six months period ended September 30, 2018, were immaterial.

The impact on Takeda's revenue and net profit for the six months period ended September 30, 2018 assuming the acquisition date of TiGenix had been as of the beginning of the reporting period was immaterial.

(2) Contingent Considerations

The consideration for certain acquisitions includes amounts contingent upon future events such as the achievement of development milestones and sales targets. At each reporting date, the fair value of contingent considerations assumed in business combinations is re-measured based on risk-adjusted future cash flows discounted using appropriate discount rate. The contingent considerations discussed

below are the discounted royalty payable for a certain period based on future financial performance, primarily consisting of the COLCRYS business which was acquired in the acquisition of URL Pharma. Inc. in June 2012. There is no cap on the royalty payable for the COLCRYS business and the estimated future royalty payments are calculated based on forecasted financial performance.

The fair value of contingent considerations is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 10, “Financial Instruments”.

1) Changes in the Fair Value of Contingent Considerations

	JPY (millions)
	Six months period ended September 30, 2018
As of the beginning of the period	30,569
Additions arising from business combinations	—
Changes in the fair value during the period (unrealized):	
URL Pharma. Inc.	341
Other	(92)
Settled during the period:	
URL Pharma. Inc.	(1,129)
Other	—
Reclassification to other payables	(1,774)
Foreign currency translation differences	1,934
Other	(87)
As of the end of the period	29,762

2) Sensitivity Analysis

The following sensitivity analysis represents effect on the fair value of contingent considerations from changes in major assumptions:

		JPY (millions)
		As of September 30, 2018
Revenue derived from the COLCRYS business	Increase by 5%	716
	Decrease by 5%	(716)
Discount rate	Increase by 0.5%	(178)
	Decrease by 0.5%	181

12 Disposal Groups Held for Sale

The disposal groups held for sale as of March 31, 2018, consisted mainly of a group of assets, liabilities, and other comprehensive income related to Takeda’s consolidated subsidiary, Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. and reclassified as held for sale. The shares of the subsidiary were sold in July 2018. Takeda entered into an agreement in May 2018 to sell its entire shareholding of 51.34% in consolidated subsidiary Guangdong Techpool Bio-Pharma Co., Ltd. and reclassified related assets and liabilities as held for sale as of June 30, 2018, and sold the shares of the subsidiary in August 2018.

13 Commitments and Contingent Liabilities

Litigation

Takeda is involved in various legal and administrative proceedings. The significant matter during the six months period ended September 30, 2018 is described below. There are no significant updates from the consolidated financial statements as of and for the year ended March 31, 2018 except for the matter below.

Amitiza

In March 2017, Sucampo Pharmaceuticals, Inc. (“Sucampo”) (Takeda’s licensor) received a paragraph IV certification directed to Amitiza from Amneal Pharmaceuticals, Inc. and in August 2017 received a paragraph IV certification directed to Amitiza from Teva Pharmaceutical Industries Ltd. These parties contend that the patents listed in The U.S. Food and Drug Administration’s Orange Book for Amitiza are invalid and/or not infringed by their Abbreviated New Drug Application product. In response, Sucampo and Takeda filed a patent infringement lawsuit against the parties. In June 2018, patent litigation against these parties has been settled.

14 Subsequent Events

On May 8, 2018, the Company reached agreement with Shire plc (“Shire”) on the terms of a recommended offer pursuant to which the Company will acquire the entire issued and to be issued ordinary shares of Shire (the “Acquisition”).

The Company has entered into a 364-Day Bridge Credit Agreement of 30.85 billion USD (the “Bridge Credit Agreement”) to finance funds necessary for the Acquisition on May 8, 2018. The commitments under the Bridge Credit Agreement are contemplated to be reduced or refinanced. On June 8, 2018, the Company has entered into a Term Loan Credit Agreement for an aggregate principal amount of up to 7.5 billion USD to finance a portion funds necessary for the Acquisition, and upon the execution thereof, the commitments under the Bridge Credit Agreement were reduced by up to 7.5 billion USD.

Further, on October 26, 2018, the Company has entered into a Senior Short Term Loan Facility Agreement for an aggregate principal amount of up to 500 billion JPY (the “SSTL”) to finance a portion of funds necessary for the Acquisition. Upon the execution of the SSTL, the commitments under the Bridge Credit Agreement were reduced by up to 4.5 billion USD. The Company has also entered into a Subordinated Syndicated Loan Agreement for an aggregate principal amount of up to 500 billion JPY to refinance the debt to be borrowed pursuant to the SSTL.