



News Release

Notice Regarding Issue of Hybrid Bonds to replace Senior Short Term Loan (Offering of Subordinated Bonds)

OSAKA, JAPAN, February 15, 2019 – Takeda Pharmaceutical Company Limited ([TSE:4502/NYSE:TAK](#)) (“Takeda”) today announced that it filed with the Director of the Kanto Local Finance Bureau a shelf registration statement for the issuance of up to 500 billion Japanese yen aggregate principal amount of bonds and an amended shelf registration statement in connection with its potential public offering of hybrid bonds (subordinated bonds) (the “Hybrid Bonds”).

This Hybrid bond issuance is to replace all or a part of the existing Short Term Loan (the “SSTL”) and won't increase debt outstanding in total as shown on the table 1.1. The details are as follows.

1. Overviews

Although Takeda has previously entered into the Subordinated Syndicated Loan Agreement (the “Subordinated Loan Agreement”) with total commitments of 500 billion Japanese yen to be used to refinance the indebtedness incurred pursuant to SSTL, Takeda plans to issue a maximum aggregate principal amount of 500 billion Japanese yen of Hybrid Bonds for the purpose of substituting all or a part of the amounts available under the Subordinated Loan Agreement, none of which has been drawn at this stage.

1.1 Actual and Expected Outstanding under each Facility as of the dates stated:

		October 26, 2018	January 11, 2019	After Hybrid Bonds Issued
		*1	*2	
Senior	SSTL	0	500 bil JPY	0
Hybrid Finance	Subordinated Loan Agreement	0	0	Please see the Note
	Hybrid Bonds	-	-	
	Hybrid Finance Sub Total	0	0	up to 500 bil JPY
Total (Senior + Hybrid Finance)		0	500 bil JPY	up to 500 bil JPY

Note: The total amount of the Hybrid Finance, consisting of the total aggregate amount of the Hybrid Bonds and the amounts borrowed under the Subordinated Loan Agreement, will be up to 500 billion yen. The respective amounts of each of the Subordinated Loan and the Hybrid Bonds will be decided on the pricing date.

*1; The date entered in to SSTL and Subordinated Loan Agreement

*2; The date drew down SSTL

1.2 Maximum amounts to be incurred for each Facility as of the dates stated:

		October 26, 2018 *1	January 11, 2019 *2	February 15, 2019 *3
Senior	SSTL	500 bil JPY	500 bil JPY	500 bil JPY
Hybrid Finance	Subordinated Loan Agreement	500 bil JPY	500 bil JPY	500 bil JPY
	Hybrid Bonds	-	-	500 bil JPY

*1; The date entered in to SSTL and Subordinated Loan Agreement

*2; The date drew down SSTL

*3; The Launch date for Hybrid Bond

2. Purpose and Background to the Hybrid Bond Issue

As announced in "Notice regarding the Acquisition of the Entire Issued and To Be Issued Share of Shire plc" by Takeda Pharmaceutical Company Limited" on January 8, 2019, Takeda acquired all of the shares of Shire plc ("Shire") and completed its acquisition of Shire as of January 8, 2019.

In the process of this acquisition, as announced in "Takeda Announces Execution of Senior Short Term Loan Facility Agreement and Subordinated Syndicated Loan Agreement and Second Amendment to Bridge Credit Agreement in Connection with Proposed Acquisition of Shire plc" on October 26, 2018. Takeda entered into the SSTL for an aggregate principal amount of up to 500 billion Japanese yen. The SSTL financed a portion of the funds necessary for the acquisition of Shire. Takeda has also entered into the Subordinated Loan Agreement for an aggregate principal amount of up to 500 billion Japanese yen in order to refinance the borrowings under the SSTL.

Despite execution of the Subordinated Loan Agreement, Takeda plans to issue a maximum aggregate principal amount of 500 billion Japanese yen of Hybrid Bonds for the purpose of substituting all or a part of the amounts available under the Subordinated Loan Agreement, none of which has been drawn at this stage.

3. Features of the Hybrid Bonds

The Hybrid Bonds will be containing features of both equity and liabilities. While the liability aspects of the Hybrid Bonds will not cause dilution to stockholders, the Hybrid Bonds will have attributes and features resembling equity such as an option to defer interest payments, extremely long-term redemption periods and subordination in liquidation or bankruptcy proceedings. Therefore, Takeda expects that Japan Credit Rating Agency, Ltd. and S&P Global Ratings Japan Inc. will deem 50% of the funds raised under the Hybrid Bonds as equity for the purposes of their ratings.

A summary of the expected terms and conditions of the Hybrid Bonds, which is preliminary and subject to change, has been provided as Attachment 1 hereto.

4. Schedule

Depending on market conditions and demand from investors, Takeda plans to determine the terms and conditions of the bonds, including the issue price, during or after April 2019. Takeda will publish an announcement promptly after the pricing of Hybrid Bonds occurs.

The total aggregate amount of hybrid financing incurred through the Hybrid Bonds and borrowings under the Subordinated Loan Agreement is expected to be 500 billion yen.

This announcement has been prepared to publicly disclose the proposed offering of the Hybrid Bonds and is not intended to, and does not, constitute, represent or form part of any offer, invitation or solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise.

This document does not constitute an offer to sell or a solicitation of an offer to purchase any securities within the United States. The Hybrid Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “Act”) and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. No Hybrid Bonds will be offered in the United States.

About Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited ([TSE:4502/NYSE:TAK](https://www.tse-europe.com/quote/TSE:4502/NYSE:TAK)) is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Gastroenterology (GI), Neuroscience and Rare Diseases. We also make targeted R&D investments in Plasma-Derived Therapies and Vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.

For more information, visit <https://www.takeda.com>

Investor Relations Contact:

Takashi Okubo
takeda.ir.contact@takeda.com
+81 3 3278 2306

Media Inquiries:

Outside of Japan
Tsuyoshi Tada
Tsuyoshi.Tada@takeda.com
+1 617 551 2933

Japanese Media:
Kazumi Kobayashi
kazumi.kobayashi@takeda.com
+81 (0) 3-3278-2095

Attachment 1:

[This document does not constitute an offer to sell or a solicitation of an offer to purchase any securities within the United States. The Hybrid Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “Act”) and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. No Hybrid Bonds will be offered in the United States.

Summary of proposed terms and conditions for reference purposes only. All terms and conditions, including bracketed terms, remain subject to change and final confirmation at the time of pricing of the proposed offering.]

1. Aggregate Maximum amount of the Hybrid Bonds

¥ 500,000,000,000], in increments of ¥ 100,000,000

2. Rate of interest

(1) A fixed rate per annum, during the period beginning the day after ●, 2019 until and including ●, 202[4].

(2) Yen LIBOR (subject to adjustment in accordance with the terms and conditions of the Hybrid Bonds) plus a fixed spread, during the period beginning the day after ●, 202[4] until and including ●, 2029.

(3) Yen LIBOR plus a fixed spread (expected to be 25 bps greater than the spread described in (2) above), during the period beginning the day after ●, 2029 until and including ●, 2044.

(4) Yen LIBOR plus a fixed spread (expected to be 75 bps greater than the spread described in (3) above), during the period beginning the day after ●, 2044.

3. Issue price

100 yen per 100 yen of the principal amount of each Bond

4. Security/guarantee

The Hybrid Bonds are not subject to any security or guarantee, and there are no assets specially reserved.

5. Redemption

(1) Redemption at maturity

At par on ●, 2079 (the “Maturity Date”) together with accrued interest up to such date and any Optional Outstanding Payment Amount (as defined below).

(2) Early redemption

(I) Early redemption at the option of the Company

On ●, 202[4] (the “First Optional Redemption Date”) and each Interest Payment

Date (as defined below) on and after the Optional Redemption Date (each, an “Optional Redemption Date”), the Company may, at its option, redeem early all, but not a portion, of the principal of the Hybrid Bonds then outstanding at par, together with accrued interest up to such Optional Redemption Date and any Optional Outstanding Payment Amount.

(II) Early redemption upon occurrence of Tax Events

If a Tax Event (as defined below) has occurred on or after the date of payment for the Hybrid Bonds and is continuing, the Company may, at its option, redeem all, but not a portion, of the principal of the Hybrid Bonds then outstanding on the date fixed by the Company for such early redemption (the “Tax Redemption Date”), (i) in the case such Tax Redemption Date falls on and before (and excluding) the First Optional Redemption Date, at a rate of 101 yen per 100 yen of the principal amount of each Hybrid Bond or (ii) in the case such Tax Redemption Date falls on and after the First Optional Redemption Date, at par, together with the accrued interest up to the Tax Redemption Date and any Optional Outstanding Payment Amount.

A “Tax Event” shall be deemed to occur if the Company suffers a significant tax disadvantage by Japanese laws or regulations, or application or interpretation thereof, including such that interest on the Hybrid Bonds shall not qualify as deductible expenses in the calculation of corporate tax imposed on the Company under Japanese tax law, which disadvantage cannot be avoided by the Company’s reasonable endeavors.

(III) Early redemption upon occurrence of Equity Credit Change Events

If an Equity Credit Change Event (as defined below) has occurred and is continuing, the Company may, at its option, redeem all, but not a portion, of the Hybrid Bonds then outstanding on the date fixed by the Company for such early redemption (the “Equity Credit Change Event Redemption Date”), (i) in the case such Equity Credit Change Event Redemption Date falls on and before (and excluding) the First Optional Redemption Date, at a rate of 101 yen per 100 yen of the principal amount of each Hybrid Bond or (ii) in the case such Equity Credit Change Event Redemption Date falls on and after the First Optional Redemption Date, at par, together with accrued interest up to the Equity Credit Change Event Redemption Date and any Optional Outstanding Payment Amount.

An “Equity Credit Change Event” shall be deemed to occur where one or more of the designated credit rating agencies decides to treat the Hybrid Bonds as having a lower equity credit than that assigned to the Hybrid Bonds by each such credit rating agency on the date of the issuance of the Hybrid Bonds due to the revision of such credit rating agency’s standards for the assignment of equity credit, and a public announcement to that effect has been made or a written notice to that effect has been

given to the Company.

6. Method of and limitations on payment of interest

(1) Method of payment of interest

(I) The Bonds bear the interest from the date immediately following the date of issuance to the Maturity Date (or, in the case of an early redemption, to the early redemption date), payable on an Interest Payment Date, in respect of each relevant period beginning on the date immediately following the Interest Payment Date immediately preceding such Interest Payment Date (or, in the case where such relevant Interest Payment Date is the first Interest Payment Date, the Payment Date) and ending on such Interest Payment Date (the “Interest Period”).

(2) “Interest Payment Date” means ●, 2019, for the first payment and thereafter semi-annually ● and ● of each year (or, in the case of an early redemption, the early redemption date).

(3) Optional suspension

(I) Optional suspension of interest payment

On any Interest Payment Date, the Company may, at its option, defer the payment of all or part of the interest on the Hybrid Bonds that would have been payable on such Interest Payment Date (an “Optional Suspension,” and any amount of interest so deferred and not paid due to an Optional Suspension, an “Optional Deferred Payment Amount”, and an Interest Payment Date on which such interest would have become due if the relevant Optional Suspension having not occurred, an “Optional Deferred Interest Payment Date”). Such Optional Deferred Payment Amount shall bear interest at the rate of interest as set forth in Paragraph 2 (such interest amount, “Additional Interest”) falling on and after the day after the Optional Deferred Interest Payment Date and before the day on which all of the Optional Deferred Payment Amount has been paid. For the avoidance of doubt, such Additional Interest shall not bear interest itself.

(II) Optional payment

The Company may, at its option, pay all or part of the Optional Outstanding Payment Amount. Such payment shall be made to the Bondholders as of the Interest Payment Date of which the Optional Outstanding Payment Amount is paid.

(III) Mandatory payment

(A) Mandatory payment due to payment in respect of Junior Stock

With respect to an Interest Payment Date, during the period beginning from and including the second business day of the month in which the Interest Payment Date immediately preceding the relevant Interest Payment Date falls and ending

on the first business day of the month in which the relevant Interest Payment Date falls, if the Company pays any dividend on or, subject to certain exceptions, repurchases or acquires any of its common stock or other securities junior to the Hybrid Bonds or other securities of the Company with the same rank, then the Company shall, to the extent commercially practicable (as defined in the terms of the Hybrid Bonds), make reasonable endeavors to pay all of the Optional Outstanding Payment Amount outstanding as of the relevant Interest Payment Date immediately following the end of the Mandatory Payment Reference Period during which such Junior Stock Mandatory Payment Event occurred (the “Mandatory Interest Payment Date”) or on the Interest Payment Date immediately following the Mandatory Interest Payment Date.

(B) Mandatory payment due to payment in respect of Equivalent Securities

Notwithstanding the provisions of (I) above, if dividends or interest has been paid in respect of the securities of the Company with the same rank as the Hybrid Bonds during the period from the relevant Optional Deferred Interest Payment Date up to the Interest Payment Date immediately following such Optional Deferred Interest Payment Date, the Company shall, to the extent commercially practicable, make reasonable endeavors to pay the Optional Deferred Payment Amount and the Additional Interest thereon in respect of the relevant Optional Deferred Interest Payment Date on the Interest Payment Date immediately following such Optional Deferred Interest Payment Date.

7. Financial covenants

The Company is not subject to any financial covenants for the Hybrid Bonds.

8. Special covenants with respect to acceleration of obligations

The payment of the obligations in respect of the Hybrid Bonds shall not be accelerated or become due and payable except when becoming due and payable pursuant to the provisions of the terms and conditions of the Hybrid Bonds.

9. Subordination clause

In liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings or civil rehabilitation proceedings of the Company or any proceedings that are equivalent thereto in accordance with laws other than Japanese law, each Hybrid Bondholder shall have a liquidation claim under the Hybrid Bonds in an amount, per Hybrid Bond, equal to (i) the principal amount of each outstanding Hybrid Bond held by such Hybrid Bondholder on the date on which the relevant Liquidation Event occurs, plus (ii) any Optional Outstanding Payment Amount in respect of each Bond on such date and accrued interest on such Bond up to and including such date. The Company shall not bear any obligation to pay to each Bondholder the amount exceeding the total amount of (i) and (ii) above.

Such Liquidation Claims shall become effective only if the Condition for Liquidation Payment (as defined [in the terms of the Hybrid Bonds]) is satisfied, and, in the case where the Most Preferred Stock exists on the date on which the relevant Liquidation Event (as defined [in the terms of the Hybrid Bonds]) occurs, such Liquidation Claims (including the distribution thereon) shall become payable only to the extent of the Liquidation Preference Amount of Equivalent Subordinated Debt (as defined [in the terms of the Hybrid Bonds]) of each Bond.

10. Prohibition of changes to the disadvantage of senior creditors

No provisions of the Hybrid Bonds may be changed to the disadvantage of senior creditors, and no agreement on such change shall take effect in any sense or in respect of any person.

11. Prohibition on setoff

Other than in limited situations in which all amounts due under obligations of the Company senior to the Hybrid Bonds have been paid in full, , the Hybrid Bond holders shall not be entitled to set off their obligations to the Company against the claims against the Company for the repayment of principal and interest under the Hybrid Bonds in the case of any liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings or civil rehabilitation proceedings of the Company or any proceedings that are equivalent thereto in accordance with laws other than Japanese law.