



Tokyo, October 1, 2020

**Notice of Issuance of Foreign Currency Denominated Subordinated Bonds**  
**by JT Foreign Subsidiary**

**Japan Tobacco Inc. (“JT”) (TSE: 2914)** hereby announces that a JT foreign subsidiary has determined to issue Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2081 and Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2083 (hereinafter collectively referred to as the “Subordinated Bonds”) in the international securities markets as described below.

1. Objective and Significance of the issuance of the Subordinated Bonds

In order for sustainable profit growth in the mid-to long-term, JT has adopted a financial policy to “maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities”.

In accordance with the financial policy, JT has decided to raise funds through the issuance of the Subordinated Bonds by a JT foreign subsidiary in order to achieve financial soundness and improve capital efficiency.

While classified as debt, the Subordinated Bonds have features similar to those of equity. As the Subordinated Bonds are eligible for equity treatment from rating agencies to the certain extent, it contributes to strengthening our financial base without causing dilution of our shares.

2. Overview of the Subordinated Bonds

	Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2081	Euro-denominated Deeply Subordinated Guaranteed Fixed Rate Resettable Capital Securities due 2083
1. Issuer	JT Interenational Financial Services B.V. (the “Issuer”)	
2. Total amount of issue	€500,000,000	€500,000,000
3. Issuance program	Euro MTN Program	
4. Issue Price	€100 per face value of €100	€100per face value of €100

5. Initial interest rate	2.375% per annum <sup>※1</sup>	2.875% per annum <sup>※2</sup>
6. Date of maturity	April 7, 2081	October 7, 2083
7. Early redemption	<p>The Issuer may redeem the Subordinated Bonds at its own discretion in the 3-month period ending on and including April 7, 2026 and on each interest payment date thereafter.</p> <p>There are some other provisions where the Subordinated Bonds may be redeemed prior to maturity.</p>	<p>The Issuer may redeem the Subordinated Bonds at its own discretion in the 3-month period ending on and including January 7, 2029 and on each interest payment date thereafter.</p> <p>There are some other provisions where the Subordinated Bonds may be redeemed prior to maturity.</p>
8. Interest payment dates	April 7 of each year	January 7 of each year
9. Interest deferral clause	The Issuer may defer the payment of interest at its own discretion.	
10. Issue date	October 7, 2020	
11. Method of offering	<p>The Subordinated Bonds will be offered in the international securities markets including Europe and Asia. The Subordinated Bonds will not be offered within the U.S. or for the account of any U.S. persons (such terms as defined in Regulation S under the U.S. Securities Act).</p>	
12. Guarantee	Subordinated guarantee by JT (the "Guarantee")	
13. Subordination clause	<p>In the event of any liquidation of the Issuer, the rights and claims of the holders of the Subordinated Bonds against the Issuer will rank (i) junior to the claims of all holders of senior obligations of the Issuer, (ii) <i>pari passu</i> among the Subordinated Bonds concurrently issued and with the claims of holders of all parity obligations of the Issuer and preferred shares of the Issuer and (iii) senior to the claims of holders of common shares of the Issuer.</p> <p>In the event of any liquidation of JT, the rights and claims under the Guarantee will rank (i) junior to the claims of all holders of senior obligations of JT, (ii) <i>pari passu</i> among the Guarantee for the Subordinated Bonds concurrently issued and with the claims of holders of all parity obligations of JT and preferred shares of JT and (iii) senior to the claims of holders of common shares of JT.</p>	
14. Listing and trading	Euro MTF of Luxembourg Stock Exchange	

15. Bond ratings	S&P Global Ratings Japan Inc.: A Moody's Japan K.K.: A3 Rating and Investment Information, Inc.: A+
16. Evaluation of equity credit	S&P Global Ratings Japan Inc.: Intermediate Moody's Japan K.K.: Basket C Rating and Investment Information, Inc.: Class 3 – Equity Credit 50
17. Use of proceeds	Repayment of short-term borrowings and others

※1 Interest rate is fixed until April 7, 2026 and such fixed interest rate will be reset every 5 years thereafter. The interest rate will step-up by 25bps on April 7, 2031 and further by 75bps on April 7, 2046.

※2 Interest rate is fixed until January 7, 2029 and such fixed interest rate will be reset every 5 years thereafter. The interest rate will step-up by 25bps on January 7, 2034 and further by 75bps on January 7, 2049.

There is no contractual provision of restrictions on refinance of Subordinated Bonds. However, when the Subordinated Bonds are redeemed prior to maturity, JT and the Issuer intend to refinance through means which will be assigned credit ratings equivalent to or higher than that of the Subordinated Bonds by rating agencies within the twelve months prior to such redemption prior to maturity.

The Issuer may decide not to implement such refinance in the case where, at the time when the Issuer may make an early redemption, adjusted consolidated equity capital\* is higher than that as of the end of June 2020 by no less than the aggregate principal amount of the Subordinated Bonds, as well as the adjusted consolidated equity ratio\*\* is equal to or higher than the level as of the end of June 2020.

\* Adjusted consolidated equity capital: The amount obtained by deducting "exchange differences on translation of foreign operations" in "other components of equity" from "total equity" on consolidated financial statements of JT as the guarantor

\*\* Adjusted consolidated equity ratio: The value obtained by dividing the above-mentioned adjusted consolidated equity capital by the amount obtained by deducting "exchange differences on translation of foreign operations" in "other components of equity" from "total liabilities and equity" on consolidated financial statements of JT as the guarantor

< Overview of JT International Financial Services B.V., the Issuer >

(1) Country of incorporation	Netherlands
(2) Name	JT International Financial Services B.V.
(3) Shareholders	Japan Tobacco Inc. (Indirect holding ratio: 100%)
(4) Date of establishment	February 15, 2016
(5) Paid-in capital	US\$1
(6) Business description	Securing of financing for the JT Group and financial management within the JT Group

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*Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With approximately 62,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets its tobacco vapor products under its Ploom brand and various e-cigarette products under its Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.*

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