



JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

FOR IMMEDIATE RELEASE

Tokyo, January 28, 2020

Notice of Financing through Subordinated Loan

Japan Tobacco Inc. (“JT”) (TSE: 2914) hereby announces that it today entered into a subordinated loan agreement (“Subordinated Loan”) for an amount of JPY100 billion.

1. Objective and Significance of the Subordinated Loan

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 Subordinated Loan in order to achieve financial soundness and improve capital efficiency.

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

2. Overview of the Subordinated Loan

Total Loan Amount	JPY 100 billion
Loan Agreement Date	January 28, 2020
Drawdown Date	January 31, 2020
Use of Loan Proceeds	Repayment of existing debts and working capital
Maturity Date	January 31, 2080 JT may, however, make a prepayment on any Interest Payment Date on or after the Interest Payment Date of January 2025.
Replacement Restrictions	There is no contractual provision on replacement restrictions. However, when making a prepayment for the Subordinated Loan, it is assumed that refinancing will be performed with a product with equity credit assigned by rating agencies to be equivalent to or higher than the Subordinated Loan within the twelve months prior to the prepayment date.*
Interest Deferral Clause	JT may defer the payment of interest at its own discretion.

Subordination Clause	The lender shall have the right of subordinated claim in liquidation proceedings, bankruptcy proceedings, reorganization proceedings, civil rehabilitation proceedings or any other equivalent proceedings other than those under the laws of Japan. No terms and conditions of the Subordinated Loan Agreement may be amended in a manner detrimental in any way to any creditors of JT other than the creditors of the subordinated receivables.
Lenders	Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited
Evaluation of Equity Credit (expected)	S&P Global Ratings Japan Inc.: Intermediate Rating and Investment Information, Inc.: Class 3 - Equity Credit 50

* JT may decide not to replace the Subordinated Loan with other financial instruments that have an equal or higher equity credit, if JT satisfies predefined financial requirements.

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With over 63,000 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 the Ploom brand and various e-cigarette products under the Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.

Contacts: Dinesh Babu Thotakura, General Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com