



**JAPAN TOBACCO INC.**

*(incorporated with limited liability in Japan)*

**JT INTERNATIONAL FINANCIAL SERVICES B.V.**

*(incorporated with limited liability in the Netherlands and having its corporate seat in Amstelveen)*

**U.S.\$7,000,000,000**

**Euro Medium Term Note Programme**

**guaranteed (in respect of Notes issued by JT INTERNATIONAL FINANCIAL SERVICES B.V.) by**

**JAPAN TOBACCO INC.**

Under the Euro Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), each of Japan Tobacco Inc. (“**JT**”) and JT International Financial Services B.V. (“**JTIFS**”) (each an “**Issuer**” and together, the “**Issuers**”) may from time to time issue notes (the “**Notes**”) which, in the case of Notes issued by JTIFS, will be guaranteed (the “**Guarantee**”) by JT (in such capacity as guarantor, the “**Guarantor**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$7,000,000,000 (or the equivalent in other currencies).

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to listing on the Official List (the “**Official List**”) of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange’s Euro MTF Market (the “**Market**”). References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market and are intended to be listed on the Official List. The Market is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, “**MiFID II**”). This Base Prospectus can only be used for the purposes for which it has been published. In relation to the Notes listed on the Luxembourg Stock Exchange, this Base Prospectus is valid for a period of one year from the date hereof. However, each Issuer may also issue unlisted Notes which are not admitted to trading on any market. The relevant Final Terms (as defined in “**Overview of the Programme**”) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

**Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Base Prospectus.**

Notes in bearer form will initially be represented by a temporary Global Note in bearer form (each a “**temporary Global Note**”) or a permanent Global Note in bearer form (each a “**permanent Global Note**”). If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined in “**Overview of the Programme**”) to a common safekeeper (the “**Common Safekeeper**”) for Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/NV (“**Euroclear**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered Global Certificates (“**Global Certificates**”). If a Global Certificate is to be held under the New Safekeeping Structure (the “**NSS**”), the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Clearstream, Luxembourg and Euroclear. Global Notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Clearstream, Luxembourg and Euroclear (the “**Common Depository**”).

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “**Summary of Provisions Relating to the Notes while in Global Form**”.

The Programme is expected to be rated “**AA-**” by S&P Global Ratings Japan Inc. (“**S&P**”) and “**(P)A1**” by Moody’s Japan K.K. (“**Moody’s**”). Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Base Prospectus constitutes a prospectus for the purposes of the Luxembourg law on prospectuses for securities dated 16 July 2019.

*Arranger and Dealer*

**Citigroup**

*Dealers*

**BofA Securities**  
**Deutsche Bank**  
**Morgan Stanley**  
**Société Générale Corporate & Investment Banking**

**Commerzbank**  
**J.P. Morgan**  
**MUFG**  
**Standard Chartered Bank**

**DBS Bank Ltd.**  
**Mizuho Securities**  
**SMBC Nikko**  
**UniCredit Bank**

The Base Prospectus in respect of JT includes all information contained within this Base Prospectus together with all documents which are deemed to be incorporated herein by reference.

The Base Prospectus in respect of JTIFS includes all information contained within this Base Prospectus together with all documents which are deemed to be incorporated herein by reference, except for the financial statements of JT and its consolidated subsidiaries that are deemed to be incorporated herein by reference and for any information contained in the section entitled “Description of Japan Tobacco Inc”.

Each of JT and JTIFS accepts responsibility for the information contained in its Base Prospectus as described. To the best of the knowledge of each of JT and JTIFS the information contained in its Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).

This Base Prospectus does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).

None of the Arranger or the Dealers (each as defined in “Overview of the Programme”) have independently verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus. Neither the Arranger nor the Dealers accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuers or the Guarantor in connection with this Base Prospectus.

None of the Arranger, the Dealers or any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for any act or omission of the Issuers, the Guarantor, or any other person in connection with the issue and offering of the Notes.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor or any of the Dealers or the Arranger.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantor or any of the Arranger or the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or the Guarantor.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in this Base Prospectus concerning the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger or the Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and/or any Final Terms and the offer, sale or delivery of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Arranger and the Dealers represent that this Base Prospectus and/or any Final Terms may be lawfully distributed, or that any Notes may be lawfully offered, sold or delivered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution, offering, sale or delivery. In particular, no action has been taken by the Issuers, the Guarantor, the Arranger or the Dealers which is intended to permit a public offering of any Notes or the distribution of this Base Prospectus and/or any Final Terms in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material including any Final Terms may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus, any Final Terms or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and any Final Terms and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Belgium, Japan, the Netherlands, Singapore and Switzerland (see “Subscription and Sale”).

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing, and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”), and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain

exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale”).

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”) and the Notes issued (i) by JT, or (ii) by JTIFS, if the interest on the Notes is attributable to a business that is conducted by JTIFS in the manner provided for under Article 6 of the Special Taxation Measures Law of Japan (Law No. 26 of 1957, as amended, the “**Special Taxation Measures Act**”), are subject to the Special Taxation Measures Act (see “Subscription and Sale”).

**BY PURCHASING THE NOTES ISSUED BY JT OR JTIFS IN THE FOREGOING CIRCUMSTANCES IN THE INITIAL DISTRIBUTION OF SUCH NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A GROSS RECIPIENT (AS DEFINED IN “SUBSCRIPTION AND SALE”).**

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.\$7,000,000,000 (and for this purpose, any Notes denominated in another currency shall be converted into U.S. dollars) (calculated in accordance with the provisions of the Programme Agreement, as defined in “Subscription and Sale”). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement.

In this Base Prospectus, references to “**JT Group**” means JT and its consolidated subsidiaries (including JTIFS) and references to “**JT International**” means JT International Holding B.V. and its consolidated subsidiaries (including JTIFS). References to “**Japan Tobacco Inc.**” or “**JT**” are only to Japan Tobacco Inc. on a non-consolidated basis. References to “**TableMark**” are to the holding company TableMark Holdings Co., Ltd., the operating company TableMark Co., Ltd. and its subsidiaries.

All references in this document to “**U.S.**” or “**United States**” are to the United States of America, all references to “**United Kingdom**” are to the United Kingdom of Great Britain and Northern Ireland and all references to “**EU**” are to the European Union and its Member States as of the date of this Base Prospectus, unless stated otherwise.

This Base Prospectus contains forward-looking statements. These statements appear in a number of places in this Base Prospectus and include statements regarding the intent, belief or current and future expectations of JT Group’s management with respect to JT Group’s business, financial condition and results of operations. In some cases, such forward-looking statements may be identified by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “outlook”, “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 the industries in which JT Group operates, 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. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realised. Accordingly, prospective purchasers of the Notes should not interpret the forward-looking statements included in this Base Prospectus as predictions or representations of future events or circumstances. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- deterioration in economic conditions in areas that matter to JT Group;

- economic, regulatory and political changes, such as nationalisation, terrorism, wars and civil unrest, in countries in which JT Group operates;
- fluctuations in foreign exchange rates and the costs of raw materials;
- increases in excise, consumption or other taxes on tobacco products in markets in which JT Group operates, as well as the potential for increased carbon taxes, which could impact JT Group's cost of production;
- decrease in demand for tobacco products in JT Group's key markets;
- competition in markets in which JT Group operates or into which JT Group seeks to expand;
- catastrophes, including natural disasters, pandemics as well as the impact of climate change;
- JT Group's ability to realise anticipated results of JT Group's acquisitions or other similar investments;
- restrictions on promoting, marketing, packaging, labelling and usage of tobacco products in markets in which JT Group operates;
- changes in pharmaceutical and/or food standard regulations; and
- litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products.

Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Base Prospectus. JT Group assumes no duty or obligation to update, or to announce publicly any revision to, any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Other important risks and factors that could cause JT Group's actual results to be materially different from those described in the forward-looking statements are discussed in "Risk Factors", "Description of Japan Tobacco Inc." and elsewhere in this Base Prospectus.

**None of the Arranger, the Dealers, the Issuers or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.**

**In connection with the issue of any Tranche (as defined in "Overview of the Programme – Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

Amounts payable on Floating Rate Notes may be calculated by reference to EURIBOR, which is provided by European Money Markets Institute ("EMMI"), or LIBOR, which is provided by ICE Benchmark

Administration Ltd (“ICE”). As at the date of this Base Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “BMR”). As at the date of this Base Prospectus, ICE does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the BMR. As far as the Issuers and the Guarantor are aware, the transitional provisions in Article 51 of the BMR apply, such that ICE is not currently required to obtain recognition, endorsement or equivalence.

**PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area has been or will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

**MiFID II product governance / target market** – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market** – The Final Terms in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Ontario Permitted Investors** – The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents:

- (a) the audited consolidated financial statements (in English) of JT and its consolidated subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2020 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the related notes to the consolidated financial statements with corresponding figures as comparative information as of and for the year ended 31 December 2019, including the independent auditor's report thereon (the "**2020 Financial Statements**");
- (b) the most recent audited consolidated financial statements and unaudited condensed quarterly consolidated financial statements (in English) of JT and its consolidated subsidiaries, subsequent to the audited consolidated financial statements referred to in (a) above, and published on the website of the Luxembourg Stock Exchange;
- (c) the audited financial statements (in English) of JTIFS, which comprise the balance sheet as at 31 December 2020 and the income statement for the year then ended and the related notes to the financial statements with corresponding figures as comparative information as of and for the year ended 31 December 2019, including the independent auditor's report thereon; and
- (d) the most recent audited financial statements (in English) of JTIFS subsequent to the audited financial statements referred to in (c) above, and published on the website of the Luxembourg Stock Exchange.

Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference in this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be obtained (without charge) from the principal office in Luxembourg of Mizuho Trust & Banking (Luxembourg) S.A. (acting as listing agent in Luxembourg). The documents listed under (a) above, which are incorporated by reference herein, shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Issuers and the Guarantor have given an undertaking to the Dealers that, if at any time during the duration of the Programme any significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Base Prospectus which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuers and/or the Guarantor and/or of the rights attaching to the Notes and/or the Guarantee, the Issuers and the Guarantor shall prepare and publish an amendment or supplement to this Base Prospectus for use in connection with any subsequent offering of the Notes.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Financial Data**

Unless otherwise indicated, financial information included in this Base Prospectus for JT Group has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and financial information in respect of JTIFS has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

JT Group’s financial year ends on 31 December.

### **Currency presentation**

All references in this Base Prospectus to “**U.S. dollar(s)**” and “**U.S.\$**” refer to the currency of the United States, those to “**Sterling**” and “**£**” refer to the currency of the United Kingdom, those to “**Japanese yen**”, “**yen**” and “**¥**” refer to the currency of Japan, those to “**RMB**”, “**Renminbi**” refer to the currency of the People’s Republic of China (excluding Hong Kong, Macau and Taiwan), and those to “**euro**” and “**€**” refer to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended.

### **Rounding**

Certain figures included in this Base Prospectus, including operational non-financial figures, have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Non-IFRS Measures**

In this Base Prospectus, JT Group discloses certain additional financial measures, including adjusted operating profit, that are not required or defined under IFRS. These measures help explain the underlying performance of each business and are used for internal performance management. JT Group believes that they are useful information for investors to assess JT Group’s performance. Further detail is also given where these measures are set out and explained in “Financial Overview – Other Performance Measures”.

In particular, the adjusted items referred to in this Base Prospectus are determined by management’s judgment, taking into consideration the nature and frequency of the income and costs such that they provide effective comparative information of JT Group performance and that they reflect the way of managing JT Group’s business appropriately.

These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in the 2020 Financial Statements incorporated by reference in this Base Prospectus.

### **Non-Financial Operating Measures**

This Base Prospectus includes non-financial operating measures to track the performance of JT Group’s business. These measures are not a measure of financial performance under IFRS and have not been reviewed or audited by an outside auditor, consultant or expert. These measures are derived from management

information systems. Such information may not be comparable to similar information provided by other companies.

## OVERVIEW OF THE PROGRAMME

*The following summary is qualified in its entirety by the remainder of this Base Prospectus.*

<b>Issuers:</b>	Japan Tobacco Inc. JT International Financial Services B.V.
<b>Guarantor in respect of Notes issued by JTIFS:</b>	Japan Tobacco Inc.
<b>Issuers' Legal Entity Identifier ("LEI"):</b>	JT: 353800Z0ENYBQO0XRJ31 JTIFS: 549300U2F0PG10VZUN93
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Up to U.S.\$7,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger:</b>	Citigroup Global Markets Limited
<b>Dealers:</b>	BofA Securities Europe SA Citigroup Global Markets Europe AG Citigroup Global Markets Limited Commerzbank Aktiengesellschaft DBS Bank Ltd. Deutsche Bank Aktiengesellschaft J.P. Morgan AG J.P. Morgan Securities plc Merrill Lynch International Mizuho International plc Mizuho Securities Asia Limited Mizuho Securities Europe GmbH Morgan Stanley & Co. International plc MUFG Securities (Europe) N.V. SMBC Nikko Capital Markets Europe GmbH SMBC Nikko Capital Markets Limited Société Générale Standard Chartered Bank UniCredit Bank AG

The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches. References in this Base Prospectus to the "**relevant Dealer**"

shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**Fiscal Agent, Paying Agent, Transfer Agent, Registrar and Calculation Agent:**

Mizuho Trust & Banking (Luxembourg) S.A.

**Method of Issue:**

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the “**Final Terms**”).

**Issue Price:**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Form of Notes:**

The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year, otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “**Global Certificates**”.

**Clearing Systems:**

Clearstream, Luxembourg and Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Fiscal Agent and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Clearstream, Luxembourg and Euroclear. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the

relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes will be deposited with a Common Depository for Clearstream, Luxembourg and Euroclear. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Fiscal and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:** Subject to compliance with all applicable legal and/or regulatory requirements, Notes may be issued in any currency agreed between the relevant Issuer, the Guarantor and the relevant Dealers.

**Maturities:** The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required by law or regulations applicable to the relevant Issuer or the relevant Dealer.

**Denomination of the Notes:** Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be offered to the public in a European Economic Area state in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) will have a minimum denomination of £100,000 (or its equivalent in other currencies). Subject to the above, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Fixed Rate Notes:** Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:** Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or
- (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes (as defined in “Terms and Conditions of the Notes”) may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in “Terms and Conditions of the Notes”) will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.

**Index Linked Notes:**

Payments of principal in respect of Index Linked Redemption Notes (as defined in “Terms and Conditions of the Notes”) or of interest in respect of Index Linked Interest Notes (as defined in “Terms and Conditions of the Notes”) will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption:**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

**Redemption by Instalments:**

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Early Redemption:</b>	Except as provided in “– Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption, Purchase and Options”.
<b>Status of the Notes:</b>	<p>The Notes constitute direct and unsubordinated general obligations of the relevant Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves.</p> <p>Under Japan Tobacco Inc. Act of Japan (Act No. 69 of 1984), as amended (the “<b>JT Act</b>”), holders of debt securities issued by JT which are classified as “<i>shasai</i>” under the laws of Japan have the preferential right (<i>ippan-tanpo</i>) to be paid prior to other unsecured indebtedness of JT, but the rights of such holders are subordinated to JT’s obligations in respect of national and local taxes and certain other exceptions provided under applicable law and to certain other obligations of JT entitled to general preferential rights (<i>sakidori-tokken</i>) provided in the Civil Code of Japan.</p>
<b>Status of the Guarantee</b>	<p>The payment obligations of the Guarantor under the Guarantee rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantor.</p> <p>The statutory preferential rights under the JT Act do not apply to the holders of debt securities issued by JTIFS and guaranteed by JT. As a result, the claims of holders of Notes issued by JTIFS against JT under the Guarantee will be subordinated to those of holders of debt securities issued by JT that are classified as “<i>shasai</i>” under the laws of Japan.</p>
<b>Negative Pledge:</b>	See “Terms and Conditions of the Notes – Negative Pledge”.
<b>Cross Default:</b>	See “Terms and Conditions of the Notes – Events of Default”.
<b>Ratings:</b>	<p>The Programme is expected to be rated “AA-” by S&amp;P and “(P)A1” by Moody’s.</p> <p>Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>



<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Japan or the Netherlands, as the case may be, unless the withholding is required by law. In such event, the relevant Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in “Terms and Conditions of the Notes – Taxation”.
<b>Governing Law:</b>	English.
<b>Listing and Admission to Trading:</b>	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Market.  Each Series will either be listed on the Market and/or such other stock exchange or unlisted as is specified in the relevant Final Terms.
<b>Selling Restrictions:</b>	The United States, the European Economic Area, the United Kingdom, Belgium, Japan, the Netherlands, Singapore and Switzerland. See “Subscription and Sale”.  Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purpose of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”) unless (i) the relevant Final Terms state that the Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purpose of Section 4701 of the Code) (“TEFRA C”) or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute “registration required obligations” under the U.S. Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuers and the Guarantor and the industry in which each of them operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should note that the risks relating to the Issuers and the Guarantor, the industry in which each of them operates and the Notes are the risks that the Issuers and the Guarantor believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuers and the Guarantor face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuers and the Guarantor that are not currently known to the Issuers and the Guarantor, or that the Issuers and the Guarantor currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuers and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.*

### **Factors that may affect the Issuers’ and the Guarantor’s ability to fulfil its obligations under or in connection with Notes issued under the Programme and/or the Guarantee**

***JT Group’s businesses have been and may continue to be adversely affected by global economic conditions.***

Uncertainties in the business environment in which JT Group operates, such as the contraction of the global economy and a slowdown in economic growth, continue to increase. Within this, JT Group recognises that continuing to provide new value and satisfaction to consumers for continuous profit growth is important and is working to enhance product and service added value based on changes in consumer preferences and behaviours. However, in the event that consumer preferences and behaviours change due to a deterioration of the economy, and JT Group is unable to appropriately respond, JT Group’s business performance could be negatively affected due to factors such as consumers ceasing to use JT Group’s products, a decline in revenue and the loss of opportunities for growth.

Economic downturns may put pressure on JT Group’s revenue from its tobacco business due to the weakening of consumer spending power and thus demand, as well as shifts in smokers’ purchases to brands in lower price ranges or different categories. In the Japanese domestic tobacco market, as a result of the ageing population and declining birth rate, growing awareness about the health risks associated with smoking and the tightening of smoking-related regulations, as well as higher tobacco excise taxes, tobacco demand has continued to decline. JT Group expects this downward trend to continue into the future. Demand overseas could also decrease depending on the economic conditions, other societal conditions, trends in regulations and price rises due to tax increases and other factors, although the trends in demand will vary from region to

region. These trends may in turn undermine JT Group's strategy to grow its top line in tobacco operations. Any of these factors may adversely affect JT Group's financial condition and operating results.

***Due to the geographical scope of JT Group's operations, JT Group's operating results may be adversely affected by economic, regulatory and political changes in many countries.***

JT Group's products are sold in over 130 countries and regions around the world. JT Group has a growing presence in international markets, which is broken down into four regional clusters: South and West Europe (including primarily France, Italy, Spain and Switzerland), North and Central Europe (including primarily Austria, Germany, Ireland, Poland, Sweden and the United Kingdom), CIS+ (including primarily Kazakhstan, Romania, Russia and Ukraine) and the Rest-of-the-World (including primarily Canada, Iran, Malaysia, Taiwan and Turkey). Consequently, JT Group's international tobacco business, which accounted for 70.0 per cent. of the consolidated adjusted operating profit of JT Group for the year ended 31 December 2020, has assumed significantly greater importance to JT Group's operating results in recent years. Some of the countries in which JT Group operates face the threat of civil unrest and could be subject to regime changes. In others, nationalisation, terrorism, conflict and the threat of war may have a significant impact on the business environment. As a result, political, economic and governmental instability in clusters mainly made of emerging markets, could materially and adversely affect JT Group's operations and financial results. Changes in the economic, political, or regulatory environment could disrupt JT Group's supply chain and/or its distribution capabilities. In addition, such changes could lead to loss of property or equipment that is critical to JT Group's business in certain markets and difficulty in staffing and managing its operations, which could adversely affect its operating results. While JT Group will continue to pursue geographic expansion to achieve long-term growth of its businesses, the realisation of any of the foregoing risks may adversely affect its financial condition and operating results.

***Currency fluctuations affect JT Group's operating results.***

JT Group conducts a significant portion of its business in currencies other than yen, such as the Russian ruble, Sterling, Taiwanese dollar, Euro, Turkish Lira, Iranian rial, Swiss franc, U.S. dollar and the local currencies of other countries in which it operates. Currency fluctuations may, therefore, adversely affect JT Group's operating results.

Each of JT Group's companies measures transactions in its own functional currency. JT Group enters into transactions denominated in currencies other than the functional currencies in which each of JT Group's companies operate, exposing JT Group to foreign exchange risk to the extent that the amounts and proportions of various currencies in which its sales and assets are denominated differ from the amounts and proportions of various currencies in which its costs and liabilities are denominated. For example, JT Group pays a substantial amount in U.S. dollars for non-Japan origin tobacco leaf for its Japanese tobacco business, but its tobacco sales in Japan are denominated in yen. Similarly, the purchase of a substantial amount of tobacco leaf for JT Group's international tobacco operations is denominated in U.S. dollars while its tobacco sales in international operations are denominated in local currencies. As a result, a strong U.S. dollar against such other currencies could adversely affect JT Group's margins on a local currency basis. While JT Group enters into hedging transactions, such as derivatives or issuing debt in currencies other than yen, to partially offset the currency fluctuation risk in its business transactions, hedging will not completely eliminate those risks and JT Group remains exposed to the effects of currency fluctuations.

Furthermore, JT Group is subject to currency translation risks. JT Group's operating results in the international tobacco business are subject to differences between the U.S. dollar, which is the presentation currency of JT International, and the local presentation currencies of various countries in which JT International's consolidated subsidiaries operate. In this regard, a strong U.S. dollar relative to these local

currencies, and in particular the Russian ruble, negatively affects profits of JT International. JT Group's reporting results are further subject to exchange rate fluctuations between the yen, which is JT Group's presentation currency, and the U.S. dollar. In general, a strong yen against the U.S. dollar negatively affects the translation of JT International's results into Japanese yen. Assuming no change in the relative value of the yen against the U.S. dollar in a given period, a strong U.S. dollar relative to the local currencies would in turn have a net negative impact on JT Group's overall reported operating results. Moreover, if JT Group liquidates, sells or impairs a significant value of any of its companies that it originally acquired in a currency other than yen, the applicable gain or loss that will be recorded in JT Group's consolidated financial statements will include the accumulated translation adjustment of the currency fluctuations between the local currency and the yen.

Any of the factors set out above may adversely affect JT Group's financial condition and operating results.

Furthermore, JT Group holds financial assets, such as bank deposits and government bonds, and financial liabilities, such as bank loans and bonds. The fluctuation of interest rates pertaining to these assets and liabilities may affect the performance and financial position of JT Group as these fluctuations affect its interest income and interest expenses and the price of financial assets and financial liabilities.

In addition, JT Group's business performance and financial position may be affected in the event that the value of JT Group's retirement benefit assets and liabilities fluctuate due to the fluctuation of foreign exchange markets or interest rate levels.

***Increases in excise, consumption or other taxes on tobacco products in markets in which JT Group operates may adversely affect sales of tobacco products and profitability.***

Increases in tobacco-related taxes in Japan and other countries around the world are considered as a source of public finance and a measure to promote public health. If an increase occurs in the tax applicable to tobacco products, in most cases it is difficult for JT Group to absorb such tax increases through improved operational efficiency. JT Group thus typically seeks to increase the retail price of tobacco products. However, it may be difficult to fully pass on the cost of such tax increases to consumers without undermining sales volume and ultimately JT Group's profitability. Reflecting part or all of a tax increase through an increase in the retail price may reduce consumption or cause demand to shift toward lower priced products, different categories or to illicit products such as contraband and counterfeit products, while absorbing a tax increase without a retail price increase would directly reduce JT Group's profitability. Therefore, in order to maintain JT Group's profitability, any retail price increase typically needs to be greater than the amount of the applicable tax increase to offset these adverse reactions on the part of consumers. In considering any price increase, JT Group therefore must consider market conditions, including the potential impact on demand and the expected reactions of competitors based on historical patterns.

JT Group's ability to effectively adjust to an increase in tobacco-related tax would be particularly limited if such increase was implemented at a timing or frequency JT Group did not expect, by a margin wider than it expected in a particular market, or in a jurisdiction it did not anticipate.

In recent years, JT Group has experienced tobacco-related tax increases in Japan, France, Russia, the Philippines, Taiwan and the United Kingdom, among other jurisdictions. See "Description of Japan Tobacco Inc.—Tobacco Business—Pricing". In Russia, JT Group's largest market in international tobacco business by sales volume, the excise tax on cigarettes was increased in 2020 and 2021 as established in the Russian tax code. Further excise tax increases have been announced for the coming years in various markets, including Iran, Russia and the Philippines. After increases in recent years and following an evaluation of Council Directive 2011/64/EU that lays down the EU rules for the taxation of manufactured tobacco products by setting the structure and minimum rates, the EU is currently reviewing further increases of the minimum

excise tax rates. This may result in further increases in the minimum excise rates for cigarettes and other tobacco and nicotine products.

The sale of tobacco products in Japan is subject to national and local tobacco excise taxes and national tobacco special excise tax calculated on the basis of sales volume, as well as consumption tax calculated based on the price of the products. These excise taxes for cigarettes, subject to a few minor exceptions, currently equal an aggregate of ¥14,244 per thousand units. In December 2017, Japan's ruling party announced the 2018 Tax Revision Outline (the "**Outline 2018**"). The Outline 2018 included amendments to tobacco excise taxes, under which national and local tobacco excise taxes are to be increased by ¥3 per cigarette over four years. These increases commenced in October 2018, when excise taxes were raised by ¥1 per cigarette, followed by two further ¥1 increases in October 2020 and October 2021. The Outline 2018 also included the establishment of a new taxation category for the tobacco vapor products, which applies both a weight-based tax and an ad valorem tax. From 2018 to 2022, as a transitional measure for the change in the taxation system, the ratio of the conversion method under the former taxation system will be gradually reduced and the ratio of the conversion method under the new taxation system will be gradually increased. If the new taxation system were fully applied, the excise tax on the tobacco vapor products would be at a similar level to the excise tax on cigarettes. JT anticipates the demand for JT Group's products will be impacted by the implementations. Furthermore, in December 2019, Japan's ruling party announced the 2020 Tax Revision Outline (the "**Outline 2020**")

Following the Outline 2020, excise tax on lightweight cigars (i.e. a cigar with a weight of less than 1 gram) will be raised to be equivalent to the excise tax on cigarettes. Although this tax revision took effect on 1 October 2020, as a transitional measure until 30 September 2021, it is applied to cigars with weight under 0.7 grams. Where applicable, the excise tax per such cigar has been raised to be equal to 70 per cent. of the excise tax imposed on a cigarette.

In addition to tobacco-related tax, the Japanese consumption tax rate increased from 5 per cent. to 8 per cent. beginning 1 April 2014 and further increased to 10 per cent. on 1 October 2019. For a pack of 20 cigarettes selling for a retail price of ¥540, for example, excise and consumption taxes currently account for 61.8 per cent. of the retail price.

***Any decrease in demand for tobacco products in certain key markets, including Japan, may negatively and disproportionately affect JT Group's operating results.***

While JT Group's products are sold in over 130 countries and regions around the world, a decrease in demand for tobacco products in one or more key markets may disproportionately affect JT Group's operating results and financial condition. Demand for tobacco products in a particular market may decline due to various factors unique to each geographic region or jurisdiction, such as an economic contraction, rising health awareness, increases in tobacco prices, tightening regulations, or a combination of any of these or other factors. For JT Group's international tobacco business, demand contraction in any of its key markets may negatively and disproportionately affect its operating results.

In JT Group's Japanese domestic tobacco business, a substantial majority of its earnings is represented by profit from tobacco products manufactured by JT Group, with the rest relating to JT Group's distribution of products of non-Japanese tobacco manufacturers in Japan. The shipment volume for cigarettes in Japan has been declining and is expected to continue to decline as a result of factors such as expansion of Reduced-Risk Products ("**RRP**"; see "Description of Japan Tobacco Inc. – Tobacco Business – Reduced-Risk Products ("**RRP**")") categories, demographic changes in the adult population, increasing social concern regarding the health effects of smoking, legislation and administrative and industry guidelines on tobacco issues and the impact of tax increases in the past which resulted in higher retail prices for cigarettes. JT Group expects this decline to continue, which may adversely affect its financial condition and operating results. In 2021, tobacco

industry volume (cigarettes and fine cut tobacco) is expected to decline by 4 to 6 per cent. in JT International's top 30 markets. Contractions are anticipated in the key markets of France, Italy, Russia, Spain, Taiwan, Turkey and the United Kingdom.

***Global competition from other tobacco manufacturers may reduce JT Group's market share and may adversely affect JT Group's profitability.***

JT Group competes in various markets across the world with global tobacco manufacturers such as Philip Morris International Inc., British American Tobacco p.l.c. and Imperial Brands PLC, as well as other local manufacturers. JT Group's market share in each market can fluctuate in the short term due to one-time factors including the release of new products by JT Group or its competitors or special promotion efforts related thereto. Market share can also fluctuate due primarily to the level of competition, regulation, pricing strategy, changes in smokers' preference, social interests in health, brand equity or economic conditions in each market. If JT Group's market share declines due to these or other factors in significant markets, it would negatively affect JT Group's financial condition and operating results.

For the year ended 31 December 2020, JT Group's market share in the Japanese cigarette market was 59.8 per cent. If international competitors are able to increase their market share by increasing marketing and promotion efforts or lowering their unit prices, this could also adversely affect JT Group's market share in Japan.

***JT Group's operating results may be adversely affected by instabilities in the procurement of raw materials.***

JT Group has a global manufacturing footprint and procures various types of raw materials from Japan and various countries around the world. The status and costs of procurement are affected by factors such as weather and other natural phenomena, the balance between supply and demand, exchange rate fluctuations and supplier issues. Furthermore, there is the risk that increases in transport costs will be further exacerbated going forward due to increasing wage costs in the logistics industry, caused by labour shortages, and rising crude oil prices. In the event that JT Group is unable to stably secure the necessary amount of raw materials, or in the event that raw material procurement costs and costs to transport products rise, JT Group's business performance may be negatively affected due to being unable to guarantee the stable supply of products and other factors, or if such supply is obtained, it may be at a higher cost.

***JT Group's operating results may be adversely affected by environmental or human rights issues or violations of laws and regulations in the supply chain.***

JT Group's tobacco business and the Processed Food Business in particular focus on their supply chain, and appropriately maintaining and managing the supply chain is a significant matter for JT Group's business activities. In recent years, JT Group has expanded its business in various countries and regions in the world and so its supply chain has increased and become more complex. In the event that environmental or human rights issues occur or laws and regulations are violated in the supply chain, JT Group's business performance could be negatively affected due to factors such as a decline in public trust in JT Group.

***Any acquisitions or similar investments which do not yield the anticipated results, or the resultant goodwill recorded on JT Group's balance sheet becoming impaired, could adversely affect JT Group's financial condition and operating results.***

In the past, JT Group has made a number of tobacco business-related acquisitions aiming for medium to long-term growth, through reinforcing its business foundations, geographic expansion, portfolio expansion and RRP development. These include:

### *Business foundation reinforcement and geographic expansion*

Acquisitions of the non-U.S. tobacco operations of RJR Nabisco, Inc. in 1999 for approximately ¥944 billion and Gallaher Group Plc, an international tobacco company, in 2007 for approximately ¥1,720 billion. Acquisitions of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (South Sudan) in November 2011, Arian Tobacco Industry in Iran in September 2015, 40 per cent. and 30.95 per cent. of the shares of National Tobacco Enterprise Ethiopia S.C (“NTE”) in July 2016 and December 2017 respectively, assets related to the tobacco business of Mighty Corporation in the Philippines in September 2017 and Indonesian kretek cigarette company PT. Karyadibya Mahardhika and its distributor PT. Surya Mustika Nusantara in October 2017. In 2018, JT Group acquired Donskoy Tabak companies in Russia and the tobacco business of the Akij Group in Bangladesh.

### *Portfolio expansion*

Acquisition of Gryson N.V., a Belgium based fine cut manufacturing company in August 2012 and Natural American Spirit’s business outside the United States in January 2016 for approximately ¥591 billion.

### *Geographical expansion and portfolio expansion*

Acquisition of Nakhla (Al Nakhla Tobacco Company S.A.E. and Al Nakhla Tobacco Company—Free Zone S.A.E.), a leading manufacturer of water pipe tobacco based in Egypt, which was one of the world’s first manufacturers of water pipe tobacco, in March 2013.

### *RRP product development*

Acquisition of Zandera Ltd., a leading E-Vapor manufacturer in the United Kingdom in June 2014, Ploom Inc.’s intellectual property rights related to patents and trademarks for the Ploom tobacco vapor device in February 2015 and Logic Technology Development LLC, a leading U.S. E-Vapor company in July 2015.

In December 2013, JT Group also acquired a 20 per cent. stake in Megapolis Distribution B.V., the holding company of CJSC TK Megapolis, Russia’s leading independent tobacco distributor, to strengthen its distribution platform in the region. In October 2017, JT Group acquired an additional 3 per cent. stake in the company.

In addition to its tobacco business-related acquisitions, JT Group acquired Katokichi Co., Ltd. (since renamed TableMark Co., Ltd.), a food company, in 2008 for approximately ¥109 billion to broaden the business foundation of JT Group.

JT Group regularly considers acquisitions of and investments in other companies, joint ventures or similar arrangements in its international tobacco business and executes such transactions in the ordinary course of JT Group’s business whenever appropriate conditions are met. To the extent that any acquisition or similar investment does not generate the operational and financial results expected, JT Group may be required to expend additional financial or managerial resources. JT Group’s ability to realise the anticipated benefits of any acquisition or investment will depend upon a number of factors including, but not limited to, the following:

- JT Group’s ability to integrate operations, personnel, technologies and organisations in different geographical locations or from different cultural backgrounds;
- continued demand for, and JT Group’s ability to manufacture and sell, the products of acquired or allied businesses;
- JT Group’s ability to prevent disruption of ongoing businesses;
- JT Group’s ability to retain key personnel of the acquired businesses and maintain employee morale;

- JT Group’s ability to extend its financial and management controls and reporting systems and procedures to acquired businesses;
- JT Group’s ability to minimise the diversion of management attention from ongoing business concerns;
- JT Group’s ability to build an effective brand and product portfolio; and
- JT Group’s ability to link sales and market strategies of different product lines.

There can be no assurance that JT Group’s expansion strategy will successfully yield the anticipated results or that it will not adversely affect its financial condition and operating results.

JT Group has been diversifying its sources of cash flow and seeking to improve profitability by investing in or acquiring companies that JT Group believes have the potential to help it achieve these goals. As a result of past acquisitions, JT Group has recorded a large amount of goodwill. As of 31 December 2020, the recorded amount of goodwill was ¥1,909.4 billion, constituting 35.5 per cent. of total assets on a consolidated basis. Acquisitions and other types of investments will continue to be an option to achieve sustainable profit growth, and JT Group will continue to look for those opportunities. Additional investments and acquisitions may result in further goodwill. Additionally, as of 31 December 2020, the recorded amount of intangible assets was ¥363.6 billion, constituting 6.8 per cent. of total assets on a consolidated basis. Among intangible assets, the carrying amount for trademarks as of 31 December 2020 was ¥287.3 billion, constituting 79.0 per cent. of total intangible assets.

JT Group considers the goodwill to fairly reflect the business value and synergy effects of its acquisitions and the intangible assets to represent their then-current fair value. However, if JT Group’s acquisitions or investments fail to generate the anticipated benefits due to factors such as changes in the business environment or the competitive situation, or if there is an increase in the applied discount rates, JT Group may be obliged to post an impairment loss, which may adversely affect its financial condition and operating results.

***Restrictions on promotion, marketing, packaging, labelling and usage of tobacco products in any market in which JT Group operates might reduce the demand for tobacco products and adversely affect JT Group’s operating results.***

As a tobacco company, JT Group is subject to substantial regulations globally that place various restrictions on the promotion, marketing, packaging, labelling and usage of tobacco products. For example, the Tobacco Business Act of Japan, as amended (the “**Tobacco Business Act**”) and related regulations contain restrictions on the sale of tobacco products, including restrictions on advertising activities and a requirement that tobacco product packages contain warnings about the health risks associated with the consumption of tobacco products. Ministry of Finance of Japan and Tobacco Institute of Japan (being an organisation of tobacco manufacturers and importers, of which JT Group is a member) guidelines further restrict tobacco advertising and promotion. Indoor smoking restrictions are another area where JT Group is experiencing increasing regulation. The Health Promotion Act, enacted in 2003, restricted the use of tobacco products in public areas and an increasing number of local governmental and private organisations have also restricted tobacco usage. In addition, the Amendment to the Health Promotion Act, enacted in July 2018, imposed a blanket ban on indoor tobacco usage in public facilities, which has been fully effective since April 2020. In respect of certain types of facilities, such as restaurants that are not part of larger chains, the relevant facility manager still retains discretion as to whether to apply the ban. However, there may be more legislative action in relation to passive smoking in the future, which further restricts smoking in public facilities.



Outside Japan, there is a similar trend toward increasingly restrictive regulation on the promotion, marketing, packaging, labelling, and use of tobacco products since the World Health Organisation's Framework Convention on Tobacco Control ("FCTC") came into force in February 2005.

The purpose of the FCTC is to reduce continually and substantially the prevalence of tobacco use and exposure to tobacco smoke. Its provisions include, among other things, price and tax measures to reduce the demand for tobacco, non-price measures to reduce the demand for tobacco (including protection from exposure to tobacco smoke) and regulation of the contents and emissions of tobacco products, disclosure to government authorities and the public of certain information on tobacco products, packaging and labelling of tobacco products and their advertising, promotion and sponsorship) and measures aimed at the reduction of tobacco supply (including the prevention of illicit trade and further restrictions on sales to minors). Furthermore, various measures are being taken relating to regulation of descriptive labelling, including "mild" and "light". Moreover, in November 2012, a protocol to eliminate illicit trade of tobacco products was adopted at the fifth session of the conference of parties to the FCTC.

In September 2018, the Protocol to Eliminate Illicit Trade in Tobacco Products to the World Health Organisation's Framework Convention on Tobacco Control entered into force after it received 40 ratifications. The Protocol introduces additional obligations for the 62 (as of 5 March 2021) parties to the Protocol to control the tobacco supply chain, by introducing, *inter alia*, requirements for licensing and for tracking and tracing of tobacco products.

The 182 parties to the FCTC (including Japan and the EU) are obliged to develop, implement, periodically update and review comprehensive multisectoral national tobacco control strategies, plans and programmes, as well as formulate, adopt and periodically update and review strategies, plans and programmes for tobacco regulation. However, the content, scope and method of specific controls undertaken by the parties are ultimately legislated by each respective nation, catered to that nation's circumstances.

Examples of specific controls adopted by the parties to FCTC include a tobacco law in Russia setting out measures on protection from exposure to environmental tobacco smoke and other matters related to tobacco consumption which became effective in June 2013 and has been implemented gradually, and the Australian Tobacco Plain Packaging Act which provides for strict requirements applicable to packaging, including its colour, location, font size and style of the product's name and display of graphical health warnings, even though the FCTC does not stipulate the introduction of such requirements. A number of other countries are considering the implementation of similar regulations.

In the EU, the Tobacco Product Directive (2014/40/EU), which revised an earlier Directive (2001/37/EC), entered into force in May 2014. The revised Directive enhances and includes additional measures on how tobacco products can be manufactured, presented and sold. These measures include requirements as to packaging and labelling, such as 65 per cent. picture and health warnings on the front and back of packaging; a ban on characterising flavours for cigarettes and fine cut (noting the exemption for menthol expired in May 2020) and a ban on ingredients which increase the toxicity and/or addictiveness of tobacco products; regulation of nicotine-containing products (for example, E-Vapor) and smokeless tobacco products in a manner similar to how cigarettes are regulated, a continued ban on oral tobacco products, or snus, a prior notification requirement for novel tobacco products and the mandated development of a tracking and tracing system and security features to ensure that only compliant products are sold in the EU and to combat the trade in illegal tobacco products. All EU Member States have now implemented the Directive into national law, although the measures relating to tracking and tracing for all tobacco products (other than for cigarettes and roll-your-own tobacco which are already effective) will become effective in May 2024.

JT Group expects that the level of restrictions on the promotion, marketing, packaging, labelling and usage of tobacco products will continue to increase globally. While the content, scope and method of the restrictions in

each country will vary in accordance with implementation under each country's national law, the general tightening of tobacco-related regulations might have contributed to, and might continue to contribute to diminishing brand value and reducing demand for tobacco products, which may adversely affect JT Group's financial condition and operating results. Furthermore, any change in marketing methods could substantially increase JT Group's marketing expenses and also could lower its market share if JT Group could not react to such changes in a timely and appropriate manner.

***Increases in the illegal trade of tobacco products could adversely affect JT Group.***

In the tobacco business, JT Group has determined that Regulatory Environment and Illicit Trade is one of its focus areas. One of the most serious issues in the tobacco industry is the increase in illicit trade, including smuggling and counterfeit product distribution. Motivations for illicit trade are believed to include the high profit margin of tobacco products and cross-border price gaps arising from different taxation systems and tax levels among countries. As historical evidence shows, illicit trade in a market tends to increase after a steep tax increase.

Illicitly traded products can significantly damage the credibility of JT Group's brands. If there is growth in illicit trade such as smuggling and counterfeiting of JT Group's tobacco products, there may be a negative impact on JT Group's business performance. This includes damage to its reputation and/or the need for substantial expenses for the development of further countermeasures to eliminate illicit trade.

***Substantial costs could be incurred in connection with litigation.***

JT and some of its subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking or vaping, the marketing of tobacco products, or exposure to tobacco smoke. As of 31 December 2020, there were a total of 21 smoking and health related cases pending in which one or more members of JT Group were named as a defendant, including cases for which JT or the relevant member of JT Group may have certain indemnity obligations pursuant to an agreement such as in relation to JT's acquisition of RJR Nabisco, Inc.'s overseas (non-U.S.) tobacco operations.

JT and its subsidiaries are unable to predict the outcome of currently pending or future lawsuits. If any of these actions result in a decision that is unfavourable to JT Group, its business could be materially affected by, for example, the payment of a substantial amount of monetary compensation. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, strengthen public regulations concerning smoking and prompt the filing of a number of similar lawsuits against JT and/or its subsidiaries, forcing them to bear litigation costs and materially affecting their business performance. In addition to smoking/vaping and health related cases, JT and/or some of its subsidiaries may be a party to further cases should litigation occur in the future, such as if any problems arise regarding product quality that lead to JT and/or some of its subsidiaries becoming the target of claims seeking product liability. Such litigation cases may negatively affect JT Group's business performance or the manufacture, sale, and import and export of JT's products, should their outcomes prove unfavourable. The material litigation to which JT Group is a party is described further in "Description of Japan Tobacco Inc.—Legal Proceedings".

***Claims of intellectual property infringement could require JT Group to spend substantial time and costs and adversely affect JT Group's ability to develop and commercialise products.***

JT Group's commercial success depends in part on its ability to avoid infringing patents, trademarks and other proprietary rights of third parties, and on its ability to avoid breaching the terms of any licence agreements that it has entered into with third parties with regard to the technologies and/or brands of those third parties. Other parties may have filed, and may in the future file, applications for patents covering substance

composition, techniques and methodologies relating to products and technologies that JT Group has developed or intends to develop or use, or for trademarks covering brands owned or used by JT Group.

If patents or trademarks in use by JT Group are issued to third parties, JT Group may have to rely on licences from such third parties, which may not be available on commercially reasonable terms on a timely basis, or at all. Claims by third parties that JT Group's use of any technologies, substances or brands infringes their patents or trademarks, regardless of their merit, could require JT Group to incur substantial costs, including the diversion of management and technical personnel, to defend itself against any of these claims or enforce its intellectual property rights. In the event that a claim of infringement is brought against JT Group and such claim is successful (in whole or in part), JT Group may be required to pay damages and obtain one or more licences from third parties. JT Group may not be able to obtain these licences on a timely basis at a reasonable cost, or at all. Defence of any lawsuit or failure to obtain any of these licences could adversely affect JT Group's ability to develop and commercialise products.

***Catastrophes, including natural disasters, IT infrastructure failures and cyber-crime may disrupt JT Group's businesses and limit JT Group's growth***

JT Group has expanded its business in various countries and regions in the world, and is working to further strengthen and expand its global business base in the tobacco business in particular. Recently, natural disasters have occurred in Japan and overseas such as earthquakes, tsunamis, typhoons or floods. Future large-scale natural disasters or human-made disasters such as suspension of utilities, political instability or bombings, or other such unforeseen emergencies, may negatively affect JT Group's business performance. Such effects may be caused by supply shortages due to problems at suppliers; disruptions to traffic, logistics services or sales channels; suspension of utilities such as electric or water; declines in demand; or employees suffering damage in a disaster.

In the operation of its business, JT Group utilises various types of information technology to efficiently perform its business and operations. To that end, in the event that damage to systems or leaks of confidential information occur as a result of unforeseen circumstances, such as attacks by illicit access or computer viruses, or disasters, the business performance of JT Group may be negatively affected due to the temporary suspension of information systems, the decline of public trust, the loss of competitive advantage and the bearing of expenses to appropriately respond to these events.

***JT Group's businesses may be adversely affected by the COVID-19 pandemic.***

As JT Group has expanded its business in various countries and regions in the world, the global spread of infectious diseases may significantly affect JT Group's business operations. Recently, the global spread of COVID-19 has brought about unprecedented situations, such as the slowdown and regression of the global economy and lifestyle changes, and as it is difficult to predict when COVID-19 will be brought under control, the overall outlook for the economy going forward is unclear.

The spread of COVID-19 has affected JT Group businesses, including a decrease in duty-free sales in the tobacco business and a change in consumer trends in the Japanese Domestic Tobacco Business and the Processed Food Business, and the impact is estimated to have negatively impacted consolidated revenue by approximately ¥61.0 billion for the fiscal year ended December 31, 2020. At present, the impact of COVID-19 is not obstructing business continuity, but as it is difficult at this time to predict when COVID-19 will be brought under control and its future impact, it is unclear what impact there will be on mid- to long-term consumer trends and demand trends in each business, and regarding the business and financial impacts, it is also necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country. In the event of the spread of an infectious disease, such as COVID-19, going forward, JT Group's business performance may be negatively affected.

***JT Group's operating results may be adversely affected by climate change and the transition to a net zero carbon society.***

Climate change ensuing from global warming has various adverse impacts, including flooding and landslides due to abnormal weather events such as torrential rainfall; intense heat waves, heavy snowfall and drought due to anomalous weather; water-resource change and biodiversity loss. Those impacts could raise issues such as changes in environmental conditions of JT Group's key raw materials (including tobacco) and disruption in JT Group's supply chain. This may adversely affect the JT Group's manufacturing operations and financial results through deterioration in quality and increase in price/sourcing cost of those raw materials.

Additionally, the transition to a "net zero" carbon society, with the aim of mitigating climate-related impacts, increases the likelihood of carbon taxes on energy generated from fossil fuels being levied, which (if passed on to end-users, such as JT Group) could result in an increase in operating costs and hence adversely affect JT Group's profitability.

***If JT Group is unable to adequately protect its intellectual property, third parties may be able to use similar technology, which could adversely affect JT Group's ability to compete in the market.***

JT Group will be able to protect its intellectual property rights from unauthorised use by third parties only to the extent that JT Group's technologies and products are covered by valid and enforceable patents or trademarks or are effectively maintained as trade secrets. JT Group applies for patents covering JT Group's technologies and products as and when it deems appropriate. However, these applications may be challenged or may fail to result in issued patents. JT Group's existing patents and any future patents JT Group obtains may not be sufficiently broad to prevent others from practicing JT Group's technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design their products around JT Group's patents. JT Group's patents may be challenged, invalidated or fail to provide JT Group with any competitive advantages. Government action may also affect the value of JT Group's intellectual property if, for example, any regulation under the disclosure regime were to force JT Group to reveal trade secrets.

JT Group also relies on trademarks and brand names to distinguish its products from those of its competitors. Although JT Group devotes resources to protecting its trademarks to the extent that it deems to be

appropriate, these protective actions may not be sufficient to prevent unauthorised usage or imitation by others, which could harm JT Group's reputation, brand or competitive position. The trademarks for which JT Group applies may not be acceptable to regulatory authorities, and JT Group's trademarks may be challenged by third parties.

In addition, the laws of some countries do not protect intellectual property rights to the same extent as the laws of the major industrialised nations, and many companies have encountered significant problems in protecting and defending such rights in some jurisdictions.

***JT's obligation under the Tobacco Business Act to purchase substantially all domestically produced tobacco leaf may adversely impact its competitive position in Japan compared to international competitors which use only non-Japan origin tobacco leaf.***

The Tobacco Business Act requires JT to enter annually into purchase contracts in advance with each Japanese domestic tobacco grower who intends to cultivate tobacco leaf for sale to JT. JT must purchase all tobacco leaf produced pursuant to such contracts except for tobacco leaf that is not suitable for tobacco products. Before conclusion of the contracts, JT must consult with the Leaf Tobacco Deliberative Council (*hatabako shingi kai*), a deliberative body composed of representatives of domestic tobacco growers and academic appointees appointed by JT and approved by the Minister of Finance of Japan, as to the aggregate cultivation area for specific varieties of tobacco leaf and the prices for tobacco leaf by variety and grade. The Council must deliberate and provide its opinion as to the appropriate prices of tobacco leaf based on the level which would allow continued domestic production of tobacco leaf by taking into account economic conditions such as production cost and commodity prices. JT is legally required to respect the opinion of the Council.

Domestically produced tobacco leaf is not re-dried at the time of purchase, while non-Japan origin tobacco leaf is already re-dried when JT purchases it. Without taking into account this difference, domestically produced tobacco leaf in general is approximately three times more expensive than non-Japan origin tobacco leaf due to high domestic production costs. As such, continuing with the purchase of substantially all domestically produced tobacco leaf may adversely impact JT's competitive position in Japan compared to international competitors which use only non-Japan origin tobacco leaf.

***Any claims relating to hazardous materials, including radioactive and bacteriological materials, used in JT Group's business or to which JT Group's products may become exposed may adversely affect JT Group's operating results.***

JT Group's research and development and manufacturing processes may involve the controlled use of hazardous materials, including radioactive and bacteriological materials, and may produce hazardous waste. JT Group cannot completely eliminate the risk of accidental contamination or discharge and any resultant injury from these materials or waste. Real estate properties that JT Group has owned or used in the past or that JT Group owns or uses now or in the future may contain undetected contamination resulting from JT Group's activities or the activities of prior owners or occupants at those sites. Any claims relating to hazardous materials used in JT Group's business or to which JT Group's products may become exposed may adversely affect JT Group's financial condition and operating results.

National and local laws and regulations around the world impose substantial potential liability for the improper use, manufacture, storage, handling and disposal of hazardous materials. JT Group may be sued for any injury or contamination that results from its use or the use by third parties of these materials. JT Group does not maintain insurance coverage for any such injury or contamination. In addition, JT Group's reputation may be harmed by publicity related to any alleged or actual contamination or injury. JT Group may incur significant expenses for compliance with environmental laws and regulations or for implementation of any

voluntary measures related to hazardous materials. In addition, current or future environmental regulations may impair JT Group's research, development and production efforts.

***Economic sanctions laws are complex, and penalties could be serious in the event of a violation. Moreover, a change in existing economic sanctions could deprive JT Group of access to, or require it to limit or reconfigure, its business in affected markets.***

JT Group conducts business in countries that are subject to economic sanctions. While JT Group makes every effort to comply with economic sanctions, sanctions laws are complex, and their application in a given circumstance can sometimes be difficult to determine. If a relevant authority determines that there has been a violation of applicable sanctions laws by JT and/or its subsidiaries, penalties could be material, including substantial fines and possibly incarceration for individuals responsible if their actions are intentionally in violation of applicable law.

Furthermore, existing economic sanctions could change, and thus, deprive JT Group of access to or limit its involvement with, or require it to stop, limit or reconfigure JT Group's business in affected markets. Revenues attributable to dealings with Iran, Sudan and Cuba represented less than 3 per cent. of JT Group's net revenues for the year ended 31 December 2020.

JT Group is aware of initiatives by governmental entities and institutional investors, including pension funds, in the United States to prohibit transactions with or require divestment of entities doing business with countries subject to economic sanctions. JT Group is also aware that its reputation could suffer due to its association with countries subject to economic sanctions.

***Changes to tax legislation or its interpretation or increases in effective tax rate may affect JT Group's business.***

JT Group operates in multiple jurisdictions and its profits are taxed according to the tax laws of such jurisdictions. JT Group's effective tax rate may be affected by changes in tax laws or interpretations of tax laws in any given jurisdiction or by changes in treaties or other arrangements between or among jurisdictions. Depending on how any future tax rules are implemented and applied by the individual states they could have an adverse effect on JT Group's tax position, but it is not currently possible to say whether there will in fact be an adverse effect or what any such effect might be in relation to future tax changes.

Changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities in jurisdictions in which JT Group operates may also adversely affect JT Group's business. For further information on the risk of increases in excise, consumption or other taxes on tobacco products in markets in which JT Group operates see also the risk factor "*Risk Factors—Factors that may affect the Issuers' and the Guarantor's ability to fulfil its obligations under or in connection with Notes issued under the Programme and/or the Guarantee—Increases in excise, consumption or other taxes on tobacco products in markets in which JT Group operates may adversely affect sales of tobacco products and profitability*".

***JT Group may be subject to tax audits or other action by tax authorities.***

JT Group does business in many different jurisdictions and is potentially subject to tax liabilities in multiple tax jurisdictions. JT Group continually assesses tax laws relating to it but cannot be certain of a tax authority's application and interpretation of the tax law. JT Group may be subject to tax audits, which may result in additional tax and interest payments, and to unforeseen material tax claims including penalties.

***Failure to hire and maintain a pool of talented employees may adversely affect JT Group's businesses and operating results.***

JT Group is aware of the negative reputation of the tobacco business. For that reason, it is increasingly challenging for JT Group to recruit and retain talented people. Should JT Group be unable to sufficiently fulfil its employment needs, future business operations may become difficult, thus having a negative impact on JT Group's business performance.

***A delay in or a cancellation of new drug development, a suspension of sales or a product recall in the Pharmaceuticals Business may adversely affect JT Group's operating results.***

The Pharmaceutical Business engages in research and development so as to swiftly provide original and new drugs to patients around the world. New drug development requires JT Group to invest enormous amounts of time and money, and the hurdles to discovering new drugs become higher every year. In some cases development is delayed or cancelled when the anticipated results in terms of efficacy and safety cannot be confirmed during development or when unexpected side effects occur during development. Such cases may have a negative impact on the performance of JT Group by failing to achieve the expected investment returns, or by delaying said returns, amongst other effects.

In addition, although the pharmaceuticals developed undergo stringent examinations before being approved by the governmental agencies with jurisdictions in various countries around the world, if unexpected side effects and the like are discovered after the product goes on sale that subsequently cause a suspension of sales or a product recall, such a situation could negatively impact the performance of JT Group by causing a decline in revenue, the occurrence of expenses related to the suspension of sales or product recall, a decline in public trust in JT Group, or claims to be brought against JT Group.

***Increasingly stringent pharmaceutical regulations may adversely affect JT Group's operating results.***

The Pharmaceutical Business operates under regulations, imposed by the policies of various countries, that seek to ensure the quality, effectiveness and safety of pharmaceutical products. The environment in which the pharmaceutical industry operates is expected to remain challenging, due to factors such as attempts by various governments to control healthcare costs, and the drastic reform of the drug pricing system in Japan. In the event that pharmaceutical regulations are made more stringent, JT Group may incur additional costs to ensure that products comply with strengthened rules. In the event of drug prices being lower than expected as a result of trends in healthcare systems or regulatory policies, including the reform of drug price standards, JT Group revenue may decline. In either case, there would be negative effects on the performance of JT Group.

***Change or termination of agreements with licensing partners or contract manufacturers in the Pharmaceutical Business may adversely affect JT Group's operating results.***

JT Group's Pharmaceutical Business has been making steady progress in its research and development and JT Group's aim is for that division to increasingly contribute to the sustainable profit growth of JT Group. JT Group licenses out its compounds with the aim of maximising their value. Moreover, the manufacture of each of JT Group's Pharmaceutical Business products is contracted to external manufacturers. Whilst JT Group seeks to maintain close relationships with these companies, in the event that agreements with these partners are changed or terminated, or in the event that the partnership suffers from delays, the returns expected at the point at which the agreement was concluded may not be achieved, or returns may be delayed, with a resulting negative impact on the performance of JT Group.

***Problems related to food safety or quality in the Processed Food Business, or changes in related food safety regulations, may adversely affect JT Group's operating results.***

The aim of the Processed Food Business is to provide consumers with safe and high-quality food. The frozen and ambient foods business, the seasonings business, and the bakery business that make up the three core operations are each responsible for food safety control functions. However, in the event that problems related to food safety or quality occur that exceed those anticipated by JT Group, in addition to a decline or impairment of public trust in JT Group, costs related to product recalls and demands for compensatory damages may be incurred, which could negatively impact performance.

The Processed Food Business is subject to a variety of legal restrictions, such as the Food Safety Basic Act, the Food Sanitation Act, and the Food Labelling Act, and JT Group operates a thorough programme of compliance to ensure conformity with all these legal restrictions. However, in the event that legal restrictions are introduced or changed, additional costs may be incurred to comply with these regulations, or existing business activities may be restricted, leading to a negative impact on JT Group's business performance.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### *Notes subject to optional redemption by the relevant Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;



- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

The Issuers may issue Notes where the issue price is payable by the investor in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Risks related to Notes which are linked to "benchmarks"*

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the FCA announced that it will no longer persuade

or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Subsequent speeches by the Chief Executive of the FCA and other FCA officials emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the “**IBA**”) to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021), (iv) immediately after 31 December 2021, the 1-month, 3-month and 6-month Japanese yen LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the IBA to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period until end 2022 after which time publication of these settings will cease permanently) and (v) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023). The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

#### *Risks related to Floating Rate Notes*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement).

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of the Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Reference Rate was discontinued and if such Reference Rate is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the floating rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate Notes utilising the last available Rate of Interest. Uncertainty as to the continuation of the Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be

determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

##### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement dated 31 March 2016 (the “**Agency Agreement**”) and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the relevant Issuer and the Guarantor (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the relevant Issuer and the Guarantor (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the relevant Issuer and the Guarantor (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the relevant Issuer and the Guarantor have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution;

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined

majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide, without the consent of Noteholders, for the substitution of another company as principal debtor under any Notes in place of JTIFS, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

#### *Redemption*

In the event that an Issuer or (if the Guarantee is called) the Guarantor would be obliged to pay additional amounts in respect of any Notes due to any amendment to or change in the tax laws or regulations of Japan or the Netherlands (in the case of Notes issued by JTIFS only) or change in an official interpretation or application of such laws or regulations, the Issuer may be entitled to redeem the Notes in accordance with the Conditions.

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes. Any such change could materially adversely affect the value of any Note affected by it.

#### *Bearer Notes where denominations involve integral multiples*

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *Statutory preferential right under JT Act*

Under the JT Act, holders of debt securities issued by JT which are classified as “*shasai*” under the JT Act have the preferential right to be paid prior to other unsecured indebtedness of JT. The rights of such holders are subordinated to JT’s obligations in respect of national and local taxes and certain other exceptions provided under the applicable laws and to certain of its other obligations entitled to general preferential rights (*sakidori-tokken*) provided in the Civil Code of Japan, such as preferential rights of employees to wages. JT expects that Notes issued by it under the Programme fall within the meaning of “*shasai*” under the JT Act.

Even for Notes that benefit from such statutory preferential right, there can be no guarantee that the economic or liquidation value of the property of JT will always exceed the amount of the principal and interest of the debt securities including the Notes and it may take substantial time and costs to receive the payment of the sales price of such properties by exercising such statutory preferential rights.

Statutory preferential rights under the JT Act do not apply to the holders of debt securities issued by JTIFS and guaranteed by JT. As a result, the claims of holders of Notes issued by JTIFS against JT under the Guarantee will be subordinated to holders of debt securities issued by JT that are classified as “*shasai*” under the laws of Japan.

### *On-demand guarantee*

The Guarantee provided by JT in respect of Notes issued by JTIFS is an on-demand guarantee. In the event of a payment default by JTIFS, payment by JT under the Guarantee will be made only after the relevant accountholder in the clearing system or (if the Notes are held in definitive form) the relevant Noteholder makes a demand for payment to JT under the Deed of Guarantee dated 31 March 2016. In the case of an accountholder in the clearing system, such demand can only be made in reliance on the Direct Rights granted under the Deed of Covenant dated 31 March 2016 (as defined in the Deed of Guarantee).

### *Eurosystem eligibility*

The relevant Final Terms for the Notes may specify that such Notes are to be issued in NGN form or held under the NSS in a manner to allow Eurosystem eligibility. Investors should note that such designation simply means that the Notes are intended upon issue to be deposited with one of Clearstream, Luxembourg or Euroclear as common safekeeper (and, in the case of Registered Notes, registered in the name of a nominee of one of Clearstream, Luxembourg or Euroclear acting as common safekeeper), and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

### ***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the relevant Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Bearer Notes or on the Certificates relating to the Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 31 March 2016 between Japan Tobacco Inc. (“**JT**”) and JT International Financial Services B.V. (“**JTIFS**”) each as an Issuer (the “**Issuer**”), Japan Tobacco Inc. as guarantor of Notes issued by JTIFS (in such capacity, the “**Guarantor**”), Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent and the other agents named in it and with the benefit of a “**Deed of Covenant**” (which shall mean, in the case of Notes issued by JT, the Deed of Covenant dated 31 March 2016 executed by JT as Issuer or, in the case of Notes issued by JTIFS, the Deed of Covenant dated 31 March 2016 executed by JTIFS as Issuer and JT as Guarantor) and, in the case of Notes issued by JTIFS, a Deed of Guarantee (as amended or supplemented as at the Issue Date, the “**Deed of Guarantee**”) dated 31 March 2016 executed by the Guarantor. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. The Noteholders (as defined below), the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects. References to the Guarantor, the Guarantee and the Deed of Guarantee relate only to Notes issued by JTIFS.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### 1. **Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in

relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2. **No Exchange of Notes and Transfers of Registered Notes**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a



transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the Noteholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### 3. Guarantee and Status

- (a) **Guarantee in respect of Notes issued by JTIFS:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by JTIFS under the Notes, the Receipts and the Coupons. The Guarantor’s obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee.
- (b) **Status of Notes and Guarantee:** The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4 and any right as might be accorded by statute) direct, unsecured and unsubordinated general obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

*Under the Japan Tobacco Inc. Act of Japan, as amended, holders of debt securities issued by JT which are classified as “shasai” under the laws of Japan have the preferential right (ippan-tanpo) to be paid prior to other unsecured indebtedness of JT, but the rights of such holders are*

*subordinated to JT's obligations in respect of national and local taxes and certain other exceptions provided under applicable law and to certain other obligations of JT entitled to general preferential rights (sakidori-tokken) provided in the Civil Code of Japan.*

*The statutory preferential rights do not apply to the holders of debt securities issued by JTIFS and guaranteed by JT. As a result, the claims of holders of Notes issued by JTIFS against JT under the Guarantee will be subordinated to those of holders of debt securities issued by JT that are classified as "shasai" under the laws of Japan.*

#### **4. Negative Pledge**

So long as any Notes or Coupons remain outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will create, or permit to subsist any Lien (which, for the avoidance of doubt, in the case of Notes issued by JT shall not include the statutory preferential rights (*ippan-tanpo*) provided for in the Japan Tobacco Inc. Act of Japan, as amended) on any of its property or assets, present or future, to secure, for the benefit of the holders of any 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 and Coupons equally and rateably with such Public External Indebtedness with a similar Lien on the same property or assets securing such Public External Indebtedness for so long as such Public External Indebtedness is secured by such Lien, or provide such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; provided that the provisions of this Condition 4 shall not apply (i) in the event of a merger, amalgamation or consolidation of JT with another company, with regard to any Lien in respect of any Public External Indebtedness over the property or assets of that other company which Lien exists at the time of such merger, amalgamation or consolidation and any Lien thereafter created by JT in substitution for the aforesaid Lien over property or assets the value of which does not materially exceed the current value of the assets subject to such Lien immediately prior to such merger, amalgamation or consolidation and (ii) any Lien created in connection with, or pursuant to, a securitisation or other similar limited recourse arrangement where the payment obligations in respect of the indebtedness secured by the relevant Lien are to be discharged from the revenues generated by assets over which such Lien is created (including, without limitation, receivables).

In this Condition,

- (i) “**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.
- (ii) “**Public External Indebtedness**” means bonds, debentures, notes or other similar investment securities of the Issuer or the Guarantor 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 per cent. of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorisation of the Issuer or the Guarantor thereof; and (b) for the time being, are, or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

## 5. Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(i).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(i). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to

that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(iii) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per

annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (g) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (h) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
  - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph
  - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be
  - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being

rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

- (i) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (j) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”) and/or
- (iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;



“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30.

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30

- (viii) if “**Actual/Actual-ICMA**” is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“**Interest Accrual Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date

“**Interest Amount**” means:

- (x) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (y) in respect of any other period, the amount of interest payable per Calculation Amount for that period

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi (other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR) or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR

**“Interest Period”** means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified hereon

**“ISDA Definitions”** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon

**“Reference Banks”** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon

**“Reference Rate”** means the rate specified as such hereon

**“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service)

**“Specified Currency”** means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (1) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the

Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## **6. Redemption, Purchase and Options**

### **(a) Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

### **(b) Early Redemption:**

#### *(i) Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with

this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if:
- (i) the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Japan or (in the case of Notes issued by JTIFS only) the Netherlands or, in each case, of any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes (but including any changes or amendments that have retrospective effect in relation to time periods before such date), and
  - (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) **Redemption at the Option of the Issuer (Issuer Call):** If Issuer Call is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early

Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of the Issuer (Issuer Maturity Par Call):** If Issuer Maturity Par Call is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) (which notice shall specify the date fixed for redemption), redeem all of the Notes at any time during the period commencing on (and including) the Issuer Maturity Par Call Commencement Date specified hereon to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms, together with interest accrued to the date fixed for redemption.
- (f) **Redemption at the Option of the Issuer (Issuer Make-Whole Call):** If Issuer Make-Whole Call is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' notice (or such other notice period as may be specified hereon, the "**Notice Period**") to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make-Whole Redemption Date**")), redeem all, but not some only, of the Notes at a redemption price per Note equal to the higher of the following (the "**Make-Whole Redemption Amount**"), in each case together with interest accrued to but excluding the Make-Whole Redemption Date:
- (i) the nominal amount of the Note; and
  - (ii) the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Make-Whole Redemption Date) discounted to the Make-Whole Redemption Date on either an annual or a semi-annual basis (as specified hereon) (based on the Day Count Fraction specified hereon) at the Reference Dealer Rate (as defined below) plus any applicable Margin specified hereon.

Any notice of redemption given under this Condition 6(f) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 6.

In this Condition, "**Reference Dealer Rate**" means with respect to the Reference Dealers and the Make-Whole Redemption Date, the average of the five quotations of the mid-market yield to maturity of the Reference Stock specified hereon or, if the Reference Stock is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers, at the Determination Time specified hereon on the Determination Date specified hereon quoted in writing to the Issuer by the Reference Dealers.

- (g) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (h) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (i) **Purchases:** The Issuer (and its subsidiaries, if any) and the Guarantor (and its subsidiaries) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be held, resold or, at the option of the Issuer, surrendered for cancellation.
- (j) **Cancellation:** All Notes purchased by or on behalf of the Issuer or the Guarantor or any subsidiary may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

## 7. Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be (i) in case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank, or (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System or, in the case of Renminbi, a bank in Hong Kong.

- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
  - (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth day (in the case of Renminbi) and on the fifteenth day (in the case of a currency other than Renminbi) before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made
    - (A) in case of a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank
    - (B) in the case of Renminbi, by transfer to an account in the relevant currency maintained by the payee with a Bank in Hong Kong.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer (and the Guarantor) and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer (and the Guarantor) reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a



Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in a major European city, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes, Index Linked Interest Notes or Index Linked Redemption Notes), those Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Index Linked Redemption Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity

Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
  - (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
  - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

## 8. Taxation

All payments in respect of the Notes, the Receipts and the Coupons or under the Guarantee by or on behalf of the Issuer or the Guarantor 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 (“**Taxes**”) imposed or levied by or on behalf of Japan or (in the case of Notes issued by JTIFS only) the Netherlands, or, in each case, of any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the relevant authority. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as may be necessary to result in receipt by the Noteholders and the Couponholders of such net amounts as would have been received by them in respect of the Notes, the Receipts and the Coupons or under the Guarantee had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) in respect of Notes issued by JT, to, or to a third party on behalf of, a holder who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Note, Receipt or Coupon by reason of its (A) having some present or former connection with Japan other than the mere holding of such Note, Receipt or Coupon, or (B) being a specially-related person (*tokushu kankei sha*) of the Issuer as described in Article 6, Paragraph (4) of the Special Taxation Measures Act of Japan (Act No.26 of 1957) (as amended) (the “**Special Taxation Measures Act**”);
- (b) in respect of Notes issued by JT, to, or to a third party on behalf of, a holder who would be exempt from any such withholding or deduction but for a failure to comply with any applicable requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption to the relevant Paying Agent to whom the relevant Note, Receipt or Coupon is presented (or in respect of which the Certificate representing it is presented), or whose Interest

Receipt Information is not duly communicated through the relevant Participant and the relevant international clearing organisation to such Paying Agent;

- (c) in respect of Notes issued by JT, to, or to a third party on behalf of, a holder who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution 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 the relevant Paying Agent of its status as not being subject to taxes to be withheld or deducted by the Issuer by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Notes through a payment handling agent in Japan);
- (d) in respect of Index Linked Interest Notes issued by JT, where (as specified hereon) the amount of interest on such Note is to be calculated by reference to certain indexes (as presented by the Cabinet Order under Article 6, Paragraph (4) of the Special Taxation Measures Act) relating to the Issuer or a specially related person of the Issuer, except where the recipient of interest is a Designated Financial Institution who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption;
- (e) in respect of Notes issued by JTIFS, to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note, Receipt or Coupon, by reason of his having some connection with the Netherlands other than the mere holding of the Note, Receipt or Coupon;
- (f) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the last day of such period of 30 days;
- (g) any combination of (a) through (f) above.

No additional amounts shall be payable where withholding or deduction is required pursuant to Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used in these Conditions:

**“Designated Financial Institution”** means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph 9 of the Special Taxation Measures Act;

**“Interest Recipient Information”** means certain information prescribed by the Special Taxation Measures Act and the cabinet order and other regulations thereunder to enable the Participant to establish that such holder is exempted from the requirement for Japanese Taxes to be withheld or deducted;

**“Participant”** means a participant of an international clearing organisation or a financial intermediary;

**“Relevant Date”** in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

“**Written Application for Tax Exemption**” means a written application for tax exemption (*hikazei tekiyo shinkokusho*) in a form obtainable from a Paying Agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Note, Receipt or Coupon, 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.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

## 9. Prescription

Claims against the Issuer (and/or the Guarantor) for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10. Events of Default

If any of the following events (“**Events of Default**”) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

- (a) **Non-Payment:** (A) default is made for more than 30 days in the payment on the due date of interest in respect of any of the Notes or (B) default is made for more than 30 days in the payment of principal on the due date of principal in respect of any of the Notes;
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of any covenant, condition or provision contained in the Notes, which default is not remedied within 90 days after notice of such default shall have been given to the Fiscal Agent at its specified office by holders of not less than 10 per cent. in aggregate nominal amount of Notes then outstanding;
- (c) **Cross-Default:** the Issuer or the Guarantor (A) has defaulted in the repayment of any indebtedness for borrowed moneys contracted or incurred by the Issuer or the Guarantor (other than any indebtedness owing by the Issuer or the Guarantor to another member of the Group) which in the case of each payment default is at least EUR100,000,000 (or its equivalent in any other currency) (the “**Indebtedness**”) at the later of the maturity thereof or the expiration of any applicable grace period therefor, or (B) has 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 the Issuer or the Guarantor of any Indebtedness (excluding any guarantee contracted or incurred by the Issuer or the Guarantor to another member of the Group) in accordance with the terms of any such guarantee; provided, however, that if the Issuer or the Guarantor cures any such default under such Indebtedness, or it is waived by the holders of such Indebtedness, in each case as may be permitted under the terms of such Indebtedness, then such event of default shall be deemed to have been thereupon cured or waived;

- (d) **Winding-up:** a final and non-appealable order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor, except for the purpose of or pursuant to a reconstruction, amalgamation, merger or consolidation under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations under the Notes or the Guarantee;
- (e) **Appointment of Receiver:** an encumbrancer takes possession or a receiver or other officer is appointed, in bankruptcy, civil rehabilitation, reorganisation or insolvency of the Issuer or the Guarantor, of (in the case of JT) all or substantially all of the assets and undertakings of JT or (in the case of JTIFS) all of the assets and undertakings of JTIFS and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;
- (f) **Insolvency proceedings (in respect of JTIFS):** (i) a request has been filed for bankruptcy or other insolvency proceedings or for a suspension of payments (*surseance van betaling*) (both within the meaning of the Dutch Bankruptcy Act (*Faillissementswet*)) against JTIFS or JTIFS is subjected to emergency regulations (*noodregeling*) within the meaning of section 3.5.5 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), in each case, which are not permanently or temporarily discontinued within 60 days, (ii) JTIFS applies for or institutes bankruptcy or other insolvency proceedings, or JTIFS applies for a suspension of payments, or (iii) JTIFS stops payment (within the meaning of Section 1 of the Dutch Bankruptcy Act) or (otherwise than for the purposes of a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations under the Notes) ceases to carry on business or is unable to pay its debts generally as and when they fall due;
- (g) **Insolvency (in respect of JT):** JT stops payment (within the meaning of the bankruptcy law of Japan or (otherwise than for the purposes of a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the entire obligations under the Notes or the Guarantee) ceases to carry on business or is unable to pay its debts generally as and when they fall due;
- (h) **Order to Commence Insolvency Proceedings (in respect of JT):** a decree or order by any court having jurisdiction shall have been issued adjudging JT bankrupt or insolvent, or approving a petition seeking with respect to JT reorganisation or liquidation under bankruptcy, civil rehabilitation, reorganisation or insolvency law of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days;
- (i) **Consenting to Insolvency Proceedings (in respect of JT):** JT initiates or consents to proceedings relating to it under bankruptcy, civil rehabilitation, reorganisation 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; or
- (j) **Guarantee:** in respect of Notes issued by JTIFS, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

In this Condition 10, the “**Group**” means JT and its consolidated subsidiaries for the time being.

## 11. Meeting of Noteholders and Modifications

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per

cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 66⅔ per cent. or at any adjourned meeting not less than 33⅓ per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.*

- (b) **Modification of Agency Agreement:** The Issuer (and the Guarantor) shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.
- (c) **Substitution of JTIFS:** JTIFS, or any previously substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Receipts, the Coupons and the Talons, any company (the “**Substitute**”) that is the Guarantor, or a subsidiary of the Guarantor, provided that the Substitute will assume all liability for any payment in respect of the Notes, the Receipts or the Coupons issued by JTIFS which has become due and payable and remains unpaid at the relevant time. If the Substitute is resident for tax purposes in a territory (the “**New Residence**”) other than that in which the Issuer to be substituted is (immediately prior to such substitution) resident for tax purposes (the “**Former Residence**”) then, in Condition 6(c) (*Redemption for Taxation Reasons*) and Condition 8 (*Taxation*), references to the Former Residence shall be read

as references to the New Residence in accordance with paragraph 2.2 of the Deed Poll (as defined below). The substitution shall be made by a deed poll (the “**Deed Poll**”), to be substantially in the form scheduled to the Agency Agreement as Schedule 9, and may take place only if:

- (i) the Substitute shall, by means of the Deed Poll, agree to pay all amounts falling due under the Conditions and to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution (but not, in each case, to the extent that any such tax, duty, assessment or governmental charge is compensated for by an increased payment under Condition 8 (as interpreted in accordance with this Condition 11(c) following the substitution) or would have been or would be compensated for by an increased payment under that Condition so interpreted but was not or will not be so compensated solely because one of the exclusions in paragraphs (a) to (f) of that Condition so interpreted applied, applies or will apply);
- (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed of Guarantee, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute, and in the case of the Deed Poll and the Deed of Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this paragraph (iii) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days’ prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 10 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

## **12. Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer

Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **13. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “Notes” shall be construed accordingly.

### **14. Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Luxembourg Stock Exchange, published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

### **15. Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer (or the Guarantor) or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer (or the Guarantor) shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and



independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

**16. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

**17. Governing Law and Jurisdiction**

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons, and any non-contractual obligations arising out of them or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** Each of the Issuer and the Guarantor appoints Gallaher Limited of Members Hill, Brooklands Road, Weybridge, Surrey, KT13 0QU, England as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Issuer and the Guarantor agrees to appoint a substitute process agent and shall notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any other manner permitted by law.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and the relevant clearing systems will be notified whether or not such Global Notes or the Global Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note to the Common Depository, or the initial registration in the names of nominees for Clearstream, Luxembourg, Euroclear or a common nominee for both, and delivery of the relative Global Certificate(s) to the Common Depository, Clearstream, Luxembourg or Euroclear will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Clearstream, Luxembourg or Euroclear. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. Global Notes may also be deposited initially with other clearing systems which must be outside the United States and its possessions. Notes that are initially deposited with the Common Depository or delivered to the Common Safekeeper may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Clearstream, Luxembourg and Euroclear held by such other clearing systems. Conversely, Notes that are initially deposited with other clearing systems may similarly be credited to the accounts of subscribers with Clearstream, Luxembourg or Euroclear.

### 2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Clearstream, Luxembourg, Euroclear or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Clearstream, Luxembourg, Euroclear or any such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Clearstream, Luxembourg, Euroclear or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **3 Exchange**

#### **3.1 Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole or in part upon certification as to non-U.S. beneficial ownership for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

#### **3.2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for definitive Notes:

- (i) if the permanent Global Note is held on behalf of Clearstream, Luxembourg, Euroclear or an Alternative Clearing System and any such clearing system 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 in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

#### **3.3 Global Certificates**

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Clearstream, Luxembourg, Euroclear or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system 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) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

#### **3.4 Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions relating to Partly Paid Notes.

### 3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. If the Global Note is a NGN, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### 3.6 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## 4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

### 4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will

discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held on behalf of a clearing system, the Issuer has undertaken, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note or Global Certificate.

#### **4.2 Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

#### **4.3 Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

#### **4.4 Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

#### **4.5 Purchase**

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

#### **4.6 Issuer's Option**

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of

any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Clearstream, Luxembourg or Euroclear (to be reflected in the records of Clearstream, Luxembourg and Euroclear as either a pool factor or a reduction in nominal amount, at their discretion) or any other clearing system (as the case may be).

#### **4.7 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

#### **4.8 NGN nominal amount**

Where the Global Note is a NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

#### **4.9 Events of Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the relevant Issuer and the Guarantor under the terms of a Deed of Covenant executed as a deed by the relevant Issuer (and the Guarantor, as the case may be) on 31 March 2016 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as account holders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

#### **4.10 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the

rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*).

## 5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the relevant Issuer or the Guarantor (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the relevant Issuer and the Guarantor shall be entitled to rely on consent or instructions given in writing directly to the relevant Issuer and the Guarantor, by (x) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (y) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the relevant Issuer and the Guarantor shall be entitled to rely on any certificate or other document issued by, in the case of (x) above, Clearstream, Luxembourg, Euroclear or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (y) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (y) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Clearstream, Luxembourg’s CreationOnline or Euroclear’s EUCLID system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The relevant Issuer and/or the Guarantor shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## SUMMARY OF THE GUARANTEE

Pursuant to the Deed of Guarantee dated 31 March 2016 (the “**Deed of Guarantee**”), JT has unconditionally and irrevocably guaranteed that if JTIFS does not pay any sum under its Deed of Covenant or the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), JT shall pay that sum to the relevant accountholder in the clearing system or (if the Notes are held in definitive form) the relevant Noteholder. Payment by JT under the Deed of Guarantee will be made only after the relevant accountholder in the clearing system or (if the Notes are held in definitive form) the relevant Noteholder makes a demand for payment to JT under the Deed of Guarantee. In the case of an accountholder in the clearing system, such demand can only be made in reliance on the Direct Rights granted under the Deed of Covenant dated 31 March 2016 (as defined in the Deed of Guarantee). Any demand for payment under the Guarantee will be deemed to be duly served if served upon JT by the relevant accountholder in the clearing system or (if the Notes are held in definitive form) the relevant Noteholder, by letter or fax addressed to JT at:

Japan Tobacco Inc.  
1-1, Toranomom 4-chome  
Minato-ku, Tokyo 105-6927  
Japan

Fax No: +81-3-6772-0490  
Attention: Vice President, Treasury Division and Treasurer

or otherwise at its registered office for the time being provided that any demand made of JT under the Guarantee shall be effective only when received by JT.

JT as guarantor has undertaken that in relation to any payment to be made by it under the Deed of Guarantee, it will make such payment in accordance with the provisions of Condition 8 of the Terms and Condition of the Notes. The Deed of Guarantee may not be amended, varied, terminated or suspended by JT unless approved by an Extraordinary Resolution to which the special quorum provisions specified in the Notes apply to the holders of each series of Notes outstanding, save that nothing shall prevent JT from increasing or extending its obligations thereunder by way of supplement to the Deed of Guarantee at any time.

The Deed of Guarantee is governed by English law.



## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Notes will be applied by the relevant Issuer for general corporate purposes, including, in the case of JTIFS, for general funding purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## FINANCIAL OVERVIEW

### Selected Balance Sheet and Income Statement Information

The following tables set out in summary form the consolidated statement of financial position and consolidated statement of income of JT and its consolidated subsidiaries as of and for the fiscal year ended 31 December 2020 with corresponding figures as comparative information as of and for the fiscal year ended 31 December 2019. Such information is extracted from, and is qualified by reference to and should be read in conjunction with the 2020 Financial Statements incorporated by reference in this Base Prospectus.

### Consolidated Statement of Financial Position

	Millions of yen	
Assets	FY2019 (As of 31 December 2019)	FY2020 (As of 31 December 2020)
<b>Current assets</b>		
Cash and cash equivalents	357,158	<b>538,844</b>
Trade and other receivables	458,513	<b>412,144</b>
Inventories	583,695	<b>539,762</b>
Other financial assets	21,943	<b>18,828</b>
Other current assets	504,334	<b>493,992</b>
Subtotal	1,925,643	<b>2,003,570</b>
Non-current assets held-for-sale	30	<b>348</b>
Total current assets	1,925,673	<b>2,003,919</b>
<b>Non-current assets</b>		
Property, plant and equipment	803,239	<b>759,290</b>
Goodwill	2,002,595	<b>1,909,392</b>
Intangible assets	440,434	<b>363,604</b>
Investment property	16,588	<b>4,744</b>
Retirement benefit assets	67,377	<b>70,528</b>
Investments accounted for using the equity method	52,903	<b>40,230</b>
Other financial assets	109,568	<b>107,143</b>
Deferred tax assets	134,696	<b>122,534</b>
Total non-current assets	3,627,397	<b>3,377,464</b>
<b>Total assets</b>	<b>5,553,071</b>	<b>5,381,382</b>

Millions of yen

<b>Liabilities and equity</b>	<b>FY2019</b> (As of 31 December 2019)	<b>FY2020</b> (As of 31 December 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	408,597	<b>436,540</b>
Bonds and borrowings	284,135	<b>141,469</b>
Income tax payables	69,543	<b>46,462</b>
Other financial liabilities	21,862	<b>27,588</b>
Provisions	18,289	<b>19,420</b>
Other current liabilities	699,331	<b>652,314</b>
<b>Total current liabilities</b>	<b>1,501,757</b>	<b>1,323,793</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	690,367	<b>817,412</b>
Other financial liabilities	41,062	<b>50,164</b>
Retirement benefit liabilities	320,614	<b>331,752</b>
Provisions	40,164	<b>31,338</b>
Other non-current liabilities	135,066	<b>162,982</b>
Deferred tax liabilities	80,430	<b>64,447</b>
<b>Total non-current liabilities</b>	<b>1,307,702</b>	<b>1,458,095</b>
<b>Total liabilities</b>	<b>2,809,459</b>	<b>2,781,888</b>
<b>Equity</b>		
Share capital	100,000	<b>100,000</b>
Capital surplus	736,400	<b>736,400</b>
Treasury shares	(492,469)	<b>(491,507)</b>
Other components of equity	(431,741)	<b>(605,776)</b>
Retained earnings	2,750,506	<b>2,783,718</b>
<b>Equity attributable to owners of the parent company</b>	<b>2,662,696</b>	<b>2,522,834</b>
Non-controlling interests	80,916	<b>76,660</b>
<b>Total equity</b>	<b>2,743,611</b>	<b>2,599,495</b>
<b>Total liabilities and equity</b>	<b>5,553,071</b>	<b>5,381,382</b>

## Consolidated Statement of Income

Millions of yen  
(Except where specified)

	FY2019 (Year ended 31 December 2019)	FY2020 (Year ended 31 December 2020)
Revenue	2,175,626	2,092,561
Cost of sales	(942,299)	(898,001)
Gross profit	1,233,326	1,194,560
Other operating income	95,725	54,924
Share of profit in investments accounted for using the equity method	5,011	4,042
Selling, general and administrative expenses	(831,707)	(784,472)
Operating profit	502,355	469,054
Financial income	8,402	12,353
Financial costs	(45,526)	(61,344)
Profit before income taxes	465,232	420,063
Income taxes	(103,609)	(108,034)
Profit for the period	361,622	312,029
<b>Attributable to:</b>		
Owners of the parent company	348,190	310,253
Non-controlling interests	13,432	1,775
Profit for the period	361,622	312,029
<b>Earnings per share</b>		
Basic (Yen)	195.97	174.88
Diluted (Yen)	195.87	174.80

## Other Financial Performance Measures

These measures may not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles, and thus should not be considered substitutes for the information contained in the 2020 Financial Statements incorporated by reference in this Base Prospectus. See “Presentation of Financial and Other Information – Non-IFRS Measures”.

### *Gross Turnover*

Gross turnover is an item that JT Group discloses voluntarily and is not “Revenue” as defined by IFRS. Gross turnover includes tobacco excise taxes and other transactions in which JT Group is involved in an agency capacity. The inflow of economic benefits after deducting the tobacco excise taxes and other transactions is presented as “Revenue” in the consolidated statement of income. JT Group believes that gross turnover is a useful measure since, as it has historically been disclosed, the continued disclosure thereof provides a more consistent view of JT Group’s financial performance. See note 25 to the 2020 Financial Statements incorporated by reference in this Base Prospectus for a reconciliation of gross turnover to revenue.

### *Core Revenue*

Core revenue is defined, in the case of JT Group’s international tobacco business revenue, as revenue including revenues from water pipe tobacco and RRP categories, but excluding revenue from distribution, contract manufacturing and other peripheral businesses and, in the case of JT Group’s Japanese domestic tobacco business revenue, including revenue from domestic duty free, the China business and RRP categories, but excluding revenue from the distribution business of imported tobacco in the Japanese domestic tobacco business and certain other adjustment items. JT Group believes core revenue demonstrates the revenue derived from the core activities of JT Group’s tobacco business.

The following table reconciles core revenue to revenue:

	Millions of yen	
	FY2019 (Year ended 31 December 2019)	FY2020 (Year ended 31 December 2020)
<b>Revenue</b>	2,175,626	<b>2,092,561</b>
International tobacco business	1,310,877	<b>1,306,233</b>
Core revenue	1,253,022	<b>1,250,808</b>
Japanese domestic tobacco business	611,494	<b>555,568</b>
Core revenue	568,880	<b>515,745</b>
Pharmaceutical business	88,528	<b>78,957</b>
Processed food business	158,586	<b>149,329</b>
Others	6,140	<b>2,474</b>

### *Net Cash*

Net cash is defined as cash and cash equivalents less interest bearing debt. JT Group believes that net cash is a useful measure of a company’s financial position since it gives an indication of its cash position without taking into consideration incurred indebtedness.

The following table reconciles cash and cash equivalents to net cash:

	Millions of yen	
	FY2019 (As of 31 December 2019)	FY2020 (As of 31 December 2020)
Cash and cash equivalents	357,158	538,844
Less interest bearing debt	974,502	958,881
<b>Net Cash</b>	<b>(617,344)</b>	<b>(420,037)</b>

### ***Adjusted Operating Profit***

Adjusted operating profit is defined as amortisation cost of acquired intangibles arising from business acquisitions and adjusted items<sup>1</sup> (income and costs) deducted from operating profit (loss). JT Group believes that adjusted operating profit provides a comparison of the performance of JT Group's business excluding the effect of one off costs and impairments.

The following table reconciles operating profit to adjusted operating profit:

	Millions of yen	
	FY2019 (Year ended 31 December 2019)	FY2020 (Year ended 31 December 2020)
<b>Operating profit</b>	<b>502,355</b>	<b>469,054</b>
Amortization cost of acquired intangibles arising from business acquisitions	69,623	63,160
Adjustment items (income)	(84,467)	(51,978)
Adjustment items (costs)	28,415	6,716
<b>Adjusted operating profit</b>	<b>515,927</b>	<b>486,952</b>

### ***Operating Margin***

Operating margin is defined as adjusted operating profit divided by revenue. JT Group believes that operating margin reflects pricing strategy and operating efficiency of operations.

The following table reconciles adjusted operating profit and revenue to the operating margin, adjusted operating profit in turn being reconciled back to the relevant IFRS line items in the tables above:

<sup>1</sup> Adjusted items include impairment losses on goodwill, restructuring income and costs and certain other adjustment items.

	Millions of yen and percentages	
	FY2019 (Year ended 31 December 2019)	FY2020 (Year ended 31 December 2020)
Adjusted operating profit	515,927	486,952
Revenue	2,175,626	2,092,561
<b>Operating margin</b>	24%	23%

### ***Leverage Ratio***

Leverage ratio is defined as interest bearing debt divided by adjusted operating profit. JT Group believes that leverage ratio demonstrates its ability to generate the income needed to be able to settle its loans and borrowings as they fall due.

The following table reconciles interest bearing debt and adjusted operating profit to the leverage ratio. Adjusted operating profit is in turn reconciled back to operating profit in “– Adjusted Operating Profit” above:

	Millions of yen and times	
	FY2019 (As of and for the period ended 31 December 2019)	FY2020 (As of and for the period ended 31 December 2020)
Interest bearing debt	974,502	958,881
Adjusted operating profit	515,927	486,952
<b>Leverage ratio</b>	1.89 times	1.97 times

### ***Liquidity***

Liquidity is defined as cash and cash equivalents plus undrawn committed facilities. JT Group believes that liquidity demonstrates the near term availability of cash, also taking into account liquid assets, to JT Group.

The following table reconciles cash and cash equivalents to liquidity:

	Millions of yen	
	FY2019 (As of 31 December 2019)	FY2020 (As of 31 December 2020)
Cash and cash equivalents	357,158	538,844
Undrawn committed facilities	470,411	478,200
<b>Liquidity</b>	827,569	1,017,044

### ***Segmental Data***

JT Group also reports its financial performance on a segmental basis. The reportable segments of JT Group are determined based on the operating segments that are components of JT Group for which separate financial information is available and are evaluated regularly by management in deciding how to allocate resources and in assessing performance. As such, they provide a useful insight into the operational performance of different parts of JT Group's businesses.

JT Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. With respect to tobacco products, operations are managed separately for domestic (Japan) and overseas markets. The reportable segments of JT Group are composed of four segments: "International tobacco business", "Japanese domestic tobacco business", "Pharmaceutical business" and "Processed food business". They are determined by types of products, characteristics, and markets. For further information and explanation, please refer to Note 6 to the 2020 Financial Statements incorporated by reference in this Base Prospectus.



## DESCRIPTION OF JAPAN TOBACCO INC.

### Overview

JT Group has operations in over 70 countries and its products are sold in over 130 countries and regions around the world, selling three of the top ten global cigarette brands by sales volume. The core of the JT Group brand portfolio is made of global flagship brands (“**GFBs**”), which address consumer needs globally. GFBs include leading brands in cigarettes and fine cut, such as Winston, Camel, LD and Mevius. Mevius is the top-selling brand in Japan (with approximately 29 per cent. share in terms of cigarette sales volume). JT Group’s product portfolio is strengthened by Reduced-Risk Products (“**RRP**”)<sup>2</sup>, which have become widely popular. These include Ploom and Logic. JT Group also engages in the pharmaceutical and processed food businesses with the aim of complementing the profit growth of the wider JT Group. As of 31 December 2020, JT Group had 235 consolidated subsidiaries and 13 associates accounted for using the equity method. For the year ended 31 December 2020, JT Group had revenue and adjusted operating profit from continuing operations of ¥2,092.6 billion and ¥487.0 billion. JT Group’s operating segment performance, revenue and adjusted operating profit for the year ended 31 December 2020 were, ¥1,306.2 billion and ¥340.9 billion, respectively, in the international tobacco business; ¥555.6 billion and ¥168.1 billion, respectively, in the Japanese domestic tobacco business; ¥79.0 billion and ¥17.2 billion, respectively, in the pharmaceutical business and processed food business; ¥149.3 billion and ¥-0.8 billion, respectively. Total profit attributable to the owners of the parent company was ¥310.3 billion for the year ended 31 December 2020. As of 31 December 2020, JT Group had 58,300 full-time employees and, taken on an average basis, had 6,681 temporary and part-time employees during the 12 months ended 31 December 2020.

### Historical Background

JT is a joint stock corporation incorporated in April 1985 under the Companies Act of Japan (Act No. 86 of 2005), as amended, (the “**Companies Act**”) and pursuant to the JT Act. Its operations can be traced back to 1898, when a government bureau was formed to operate a monopoly for the sale of domestic tobacco leaf.

JT was wholly owned by the Minister of Finance of Japan, representing the Japanese government, from the date of its establishment until the initial public offering in Japan in 1994. Upon the offering, JT listed shares of its common stock on the Tokyo Stock Exchange and other Japanese stock exchanges. The Japanese government subsequently offered additional shares of JT common stock in 1996, 2004 and 2013, and held 37.59 per cent. of its issued and outstanding shares of common stock according to the register of shareholders as of 31 December 2020.

JT, and the broader JT Group, has developed its presence as a leading global tobacco manufacturer through large-scale acquisitions, most notably the acquisition of RJR Nabisco, Inc.’s non-U.S. tobacco operations in 1999 and Gallaher Group Plc in 2007.

With the aim of complementing the profit growth of the wider JT Group, JT Group has been building its pharmaceutical and processed food businesses. Pharmaceutical operations began in 1987 and expanded significantly with the establishment of the Central Pharmaceutical Research Institute, a full-scale research and development facility, in 1993. JT Group’s acquisition in December 1998 of 53.5 per cent. of the outstanding shares of Torii Pharmaceutical Co., Ltd. substantially increased the scale of its pharmaceutical business. After the acquisition, JT Group consolidated most of the production as well as sales and promotion functions in its pharmaceutical business into Torii Pharmaceutical Co., Ltd. and consolidated Torii Pharmaceutical Co., Ltd.’s research and development function into JT Group’s pharmaceutical operations. In April 2000, JT Group

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<sup>2</sup> Products with the potential to reduce the risks associated with smoking.

established a research and development base outside Japan by adding a clinical development function to Akros Pharma Inc., a U.S. subsidiary located in the state of New Jersey. JT Group substantially expanded its processed food business through the acquisition of the processed food operations of Asahi Kasei Corporation in July 1999. JT Group later acquired Katokichi Co., Ltd., a food company in Japan, in 2008. JT Group's processed food and seasoning operations were transferred to Katokichi Co., Ltd. in July 2008 and the corporate name was changed to TableMark Co., Ltd. (“**TableMark**”) in 2010.

JT Group withdrew from the manufacture and sale of beverage products at the end of September 2015. In addition, the sale of shares JT held in its subsidiaries conducting its vending machine operation business, including Japan Beverage Holdings Inc. and JT A-Star Co., Ltd. and the sale of certain JT beverage brands were completed in July 2015.

### **Management principles**

JT Group's commitment to serving four key stakeholder groups is represented in the “4S” model. Under the 4S model, JT Group strives to fulfil its responsibilities to JT Group's valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups. JT Group believes that pursuing this 4S model is the best approach to achieving sustainable profit growth over the mid- to long-term and thus increase JT Group's enterprise value. This approach is intended to confer benefits to each of JT Group's four stakeholder groups.

### **Sustainability Strategy**

JT Group's sustainability strategy is based on the management principle 4S model and encompasses materiality analyses. It encourages JT Group to think about the longevity of its business, the future of the environment and society. Three absolute requirements of the sustainability strategy are respect for human rights, an improved social and environmental impact, and good governance and business standards. JT Group believes these are the foundations for a sustainable business.

For JT Group's tobacco business for example, JT Group set four focus areas: ‘products and services’, ‘people’, ‘supply chain’, and ‘the regulatory environment and illegal trade’. For these four focus areas, JT Group also established 11 specific targets and initiatives.

By working towards the targets and promoting the initiatives, JT Group seeks to support the Sustainable Development Goals (“**SDGs**”) adopted by the United Nations. Through its business activities, JT Group looks to contribute to the SDGs related to its business and the environment. JT Group mapped related SDGs against its initiatives for sustainable business, and identified the nine SDGs to which JT Group's business can best contribute (being, “Good Health and Well-being”, “Decent Work and Economic Growth”, “Reduced Inequalities”, “Sustainable Cities and Communities”, “Responsible Consumption and Production”, “Climate Action”, “Life On Land”, “Peace, Justice, and Strong Institutions” and “Partnerships for the Goals”).

### **Risk Management System**

JT Group's operations are subject to various risks stemming from their attributes and exogenous changes, among other factors.

JT Group identifies risks that could inflict losses on it and closely monitors events that could affect its operations. JT Group takes measures to prevent the materialisation of risks and mitigate the impact in case risks do materialise.

JT Group has established an integrated system for identification and management of all of these risks and promotes risk management with the following four steps: 1) risk identification, 2) risk assessment, 3) planning to address risks and 4) progress monitoring of the plan.

## Tobacco Business

### *International Tobacco Business*

JT Group conducts its international tobacco business primarily through JT International, which manufactures and sells tobacco products in more than 130 countries (other than China, Hong Kong and Macau, as further explained below). JT International has four GFBs, namely Winston, Camel, LD and Mevius. JT International generated 70.0 per cent. of the consolidated adjusted operating profit of JT Group for the year ended 31 December 2020.

#### *Brands*

Brands are an important asset and JT Group is consistently investing towards brand enhancement and portfolio building initiatives. GFBs, namely Winston, Camel, LD and Mevius, form the core of the international combustible products brand portfolio.

The following table provides information regarding JT International's GFBs shipment volume over the past two years ended 31 December as well as JT International's worldwide total shipment volume over the same period:

	<b>For the years ended 31 December<sup>(1)</sup></b>	
	<b>2019</b>	<b>2020</b>
	(Billions of units)	
Winston .....	155.4	159.1
Camel .....	57.1	56.9
LD .....	48.7	50.7
Mevius.....	15.9	15.3
Total JT International GFB shipment volume .....	<u>277.0</u>	<u>282.0</u>
Other brands .....	<u>168.8</u>	<u>153.7</u>
Total JT International shipment volume <sup>(2)</sup> .....	<u>445.8</u>	<u>435.7</u>

(1) Figures do not necessarily add up due to JT Group's policy of disclosing individual cigarette shipment volume only in hundred million units.

(2) Total shipment volume is the shipment volume of tobacco-based products which includes fine cut tobacco, cigars, pipe tobacco snus, kretek and T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor.

In 2020, total shipment volume declined 2.3 per cent., due to COVID-19 travel restrictions negatively impacting the duty free business as well as a general industry volume contraction in several markets, notably Russia. Excluding unfavourable year-end distributor and trade inventory movements, primarily reflecting the impact of uncertain consumer demand due to COVID-19, total shipment volume declined by 1.7 per cent. despite an increase in market share driven by JT Group's GFBs. GFB shipment volume increased by 1.8 per cent., led by Winston (an increase of 2.4 per cent.) and LD (an increase of 4.2 per cent.). Market share gains continued across many geographies, notably in Austria, Belgium, Canada, Czech Republic, France, Germany, Hungary, Iran, Italy, Kazakhstan, Malaysia, the Philippines, Poland, Romania, Spain, Taiwan and the United Kingdom.

### *Geographic Regions*

The international tobacco business conducted by JT International is grouped in four regional clusters: South and West Europe (including primarily France, Italy and Spain), North and Central Europe (including primarily Germany and the United Kingdom), CIS+ (including primarily Romania and Russia) and the Rest-of-the-World (including primarily Iran, Taiwan and Turkey).

While JT Group has consolidated its tobacco business outside Japan under JT International, JT directly manages tobacco operations in China, Hong Kong and Macau, and the duty-free sales in these markets, through the China Division to further strengthen JT Group's tobacco activities in these markets. Therefore, JT International's performance does not include the results in those Chinese markets.

For the year ended 31 December 2020, 15 per cent. of total shipment volume of JT International was attributable to South and West Europe, 15 per cent. was attributable to North and Central Europe, 28 per cent. was attributable to CIS+ and 42 per cent. was attributable to the Rest-of-the-World.

The following table provides information on total shipment volume of JT International by regional cluster for the past two years ended 31 December:

Cluster	For the years ended 31 December	
	2019	2020
	(Billions of units)	
South and West Europe .....	64.9	66.3
North and Central Europe .....	55.9	63.4
CIS+ .....	131.5	122.2
Rest-of-the-World .....	193.5	183.8
Total shipment volume of JT International .....	445.8	435.7

JT Group intends to continue to pursue new growth opportunities. Strengthening its existing business base as well as expanding JT Group's geographic footprint in emerging markets for future growth and developing a leadership position in RRP are expected to drive organic growth. In addition, JT Group may pursue further growth opportunities through any other strategic alternatives that may arise.

### *Japanese Domestic Tobacco Business*

JT Group is the sole manufacturer of tobacco products in Japan, which is one of the largest markets in the world, generating about one third of JT Group's consolidated adjusted operating profit. The Japanese domestic tobacco business continues to be a significant profit contributor to JT Group. In terms of cigarettes, JT Group is striving to increase its share of the Japanese market further as a platform of profitability to support growth, as well as aiming to continue to enhance brand equity by focusing on four major brands – Mevius, Seven Stars, Winston and Natural American Spirit.

Regarding the RRP category, JT Group has designated RRPs as a key driver of the tobacco business's sustained growth into the future, and JT Group allocates resources to them on a priority basis.

In order to realise JT Group's sustainable profit growth, the Japanese domestic tobacco business aims to return to sustainable profit growth, by managing RRP and conventional products in a more comprehensive

manner. In parallel, JT Group intends to increase its total market share, in both RRP and conventional products, by offering consumers various products in each category.

According to JT's internal estimates, for the year ended 31 December 2020, JT Group's cigarette market share in Japan based on unit sales volume was 59.8 per cent. The following table shows the total number of cigarettes sold in Japan, the number of cigarettes sold by JT Group in Japan, JT Group's market share in Japan and revenue from cigarettes sold by JT Group in Japan per thousand cigarettes excluding excise tax.

	<b>For the years ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	(cigarettes in billions of units, except percentages and yen amounts)	
Industry volume in Japan <sup>(1)</sup> .....	125.1	114.9
JT Group's sales volume <sup>(2)</sup> .....	75.5	68.7
JT Group's market share <sup>(1)</sup> .....	60.4%	59.8%
JT Group's revenue per thousand <sup>(3)</sup> cigarettes excluding excise tax (in yen)..	¥6,380	¥6,524

(1) JT's internal estimate.

(2) JT Group's sales volume excluding domestic duty free, the China Division and RRP.

(3) Domestic sales are recognised when the products are delivered to and accepted by the retailer.

### **Brands**

Brands are an important asset in the Japanese market. JT Group has the top-selling brand, Mevius, with approximately 29 per cent. cigarette market share in terms of sales volume in Japan. JT Group also has Seven Stars and Winston, both of which have approximately 7 per cent. cigarette market share in terms of sales volume in Japan.

The table below shows JT Group's cigarette market share in Japan by brand family excluding RRP for the twelve-month periods indicated below.

	<b>For the years ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	(Per cent.)	
Mevius .....	30.2	28.6
Seven Stars.....	7.8	7.4
Winston .....	7.6	7.2
Natural American Spirit .....	2.0	2.0
Others.....	12.8	14.6
Total	60.4	59.8

Source: Cigarette market share information is based on JT's internal estimate.

### ***Reduced-Risk Products (“RRP”)***

JT Group defines E-Vapor products (known as e-cigarettes which do not contain tobacco and create an inhalable vapour by electronically heating a liquid), heated products (containing tobacco that is heated directly (e.g. heated tobacco stick) or indirectly to create an inhalable vapour (e.g. infused tobacco pod)) and oral products as RRP. These products have the potential to reduce the risks associated with smoking, as they do not involve any combustion, thus generating no smoke. JT Group has strengthened investments in RRP aiming to turn this category into the future growth driver of JT Group’s tobacco business. In addition, JT Group has considered how to best use its resources in a flexible and efficient manner in order to outperform competitors. Consequently, JT Group has redefined its investment priorities, placing an emphasis on the “heated tobacco stick”, with the aim of increasing competitiveness and profitability of that category and achieving sustainable growth.

JT Group entered its first venture in relation to RRP in December 2011 through a partnership agreement with Ploom Inc. In February 2015, JT Group acquired a number of patents and trademarks related to a tobacco vaporization device from Ploom Inc.

In addition, in June 2014, JT Group concluded an agreement to acquire all the outstanding shares of Zandera Ltd., a leader in E-Vapor and best known for its E-Lites brand. E-Vapor is one of the RRP in which JT Group expects to see growth. In July 2015, JT Group acquired Logic Technology Development LLC, a leading independent U.S E-Vapor company. This acquisition complements JT Group’s existing RRP portfolio and marks the entry of JT Group into the largest global E-Vapor market, the United States.

In March 2016, JT launched “Ploom TECH” in Japan, a new state-of-the-art tobacco vaporizer, and expanded its sales nationwide in July 2018. In January 2019, JT launched “Ploom TECH+” and “Ploom S” through the Ploom shops and the online store. “Ploom TECH+” expanded its sales nationwide in July 2019, followed by the sales expansion of “Ploom S” nationwide in August 2019. In July 2020, JT launched “Ploom S 2.0” and expanded its sales nationwide. In November 2020, JT launched “Ploom TECH+ with” in Tokyo as well as on the online store. Outside of Japan, JT Group launched “Ploom S” in Russia in March 2020 and in Italy and the United Kingdom in November 2020.

JT Group believes that RRP enhance consumers’ satisfaction and provide benefits to shareholders, society and JT Group’s business. Therefore, the RRP category will become a centrepiece of JT Group’s strategy for future growth and JT Group will allocate resources accordingly.

Logic Compact (E-Vapor) is available in 23 markets, including Canada, France, Greece, Ireland, Italy, Poland, Romania, Russia, Spain and the United Kingdom. Nordic Spirit (nicotine pouches) was available in seven markets, including Sweden, Switzerland and the United Kingdom at the end of December 2020.

### ***Tobacco Leaf Procurement***

Tobacco leaf is an agricultural product grown in more than 100 countries around the world. China is the world’s largest tobacco leaf producer, followed by Brazil, India, the United States and Zimbabwe. These five countries account for approximately 70 per cent. of global production for the year ended 31 December 2020.<sup>3</sup>

JT Group sources tobacco leaf both internally and externally. Tobacco leaf is processed in a number of stages before being used for manufacturing, including drying, moisturising, removal of the stems from the tobacco leaves (such leaf is “processed”, as opposed to “unprocessed” leaf), mixing, re-drying, packing and aging. JT Group generally ages tobacco leaf for a period of more than one year. Leaf is perishable and must be processed within a relatively short period of time to prevent deterioration in quality.

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<sup>3</sup> Based on the “Universal crop and market report February 2021”.

As with other agricultural commodities, the supply of tobacco leaf is affected by a variety of factors, such as climate conditions, agricultural input prices, and energy costs; therefore, it could be unstable and the leaf prices may fluctuate. See “*Risk Factors—Factors that may affect the Issuers’ and the Guarantor’s ability to fulfil its obligations under or in connection with Notes issued under the Programme and/or the Guarantee—JT Group’s operating results may be adversely affected by instabilities in the procurement of raw materials*”. Under these circumstances, JT Group aims to secure a stable supply and ensure competitive purchase prices through further vertical integration of JT Group’s internal network and strengthening its relationships with external leaf suppliers.

#### *Non-Japan origin tobacco leaf procurement*

Approximately 50 per cent. of JT Group’s requirements for processed non-Japan origin tobacco leaf are procured primarily through three appointed major international tobacco suppliers. These international suppliers purchase tobacco from both directly contracted tobacco growers and from auctions, and thereafter market this tobacco leaf to international manufacturers, including JTIFS. These appointed suppliers select, purchase, process, pack, store and ship processed tobacco leaf to JT Group in accordance with JT Group’s specifications. In addition, JT Group procures the other 50 per cent. of non-Japan origin tobacco leaf through its internal supply network in which all tobacco leaf is directly purchased pursuant to contracts with tobacco growers. This supply network was established in 2009, when JT Group acquired Tribac Leaf Limited’s business primarily based in Africa, Kannenberg & Cia. Ltda. and Kannenberg, Barker, Hail & Cotton Tabacos Ltda. in Brazil, and further set up a joint venture with J.E.B. International Co. of Virginia and Hail & Cotton of Tennessee to supply contracted U.S. tobacco exclusively for JT Group’s needs. Currently, JT Group sources tobacco leaf through internal vertically integrated operations from Brazil, the United States, and several countries in Africa and Europe.

#### *Japan origin tobacco leaf procurement*

Japan origin tobacco leaf represents approximately 35 per cent. of JT Group’s domestic tobacco leaf procurement. Japan origin tobacco leaf that JT Group purchases is neither re-dried nor does it have its stems removed (such tobacco leaf is “unprocessed”) at the time of purchase. The price of Japan origin tobacco leaf has tended to be high relative to non-Japan origin tobacco leaf. The higher price of Japan origin tobacco leaf reflects higher production costs similar to other agricultural products.

As mentioned above, non-Japan leaf is purchased in processed form but must be aged by JT Group to be in a form ready to be manufactured into tobacco products, while Japan origin tobacco leaf is purchased in unprocessed form and must be both processed and aged by JT Group after purchase. Without adjustment to reflect these factors, and on a simple average basis, the price at which JT Group purchased Japan origin tobacco leaf was generally more expensive than that of non-Japan origin tobacco leaf during the year ended 31 December 2020. The high price of Japan origin tobacco leaf and the statutory obligation to purchase substantially all tobacco leaf that is produced in Japan is a unique part of JT Group’s cost structure.

The Tobacco Business Act and related regulations govern Japan origin tobacco leaf procurement. The Tobacco Business Act requires JT to purchase, if suitable for the manufacture of tobacco products, all tobacco leaf produced pursuant to the annual purchase contracts that JT concludes in advance with each Japanese tobacco grower who intends to cultivate tobacco leaf for sale to JT Group.

The Tobacco Business Act requires JT to enter annually into purchase contracts in advance with each domestic tobacco grower who intends to cultivate tobacco leaf for sale to JT. The common agreements also include disaster relief provisions which require JT to pay money to domestic tobacco growers whose tobacco plants or crops suffer from natural disasters. JT must purchase all tobacco leaf produced pursuant to such contracts except for tobacco leaf that is not suitable for tobacco products.

Before conclusion of the contracts, JT must consult with the Leaf Tobacco Deliberative Council (*hatabako shingi kai*), a deliberative body composed of representatives of domestic tobacco growers and academic appointees appointed by JT and approved by the Minister of Finance of Japan, as to the aggregate cultivation area for specific varieties of tobacco leaf and the prices for tobacco leaf by variety and grade. The Council must deliberate and provide its opinion as to the appropriate prices of tobacco leaf based on the level which would allow continued domestic production of tobacco leaf by taking into account economic conditions such as production cost and commodity prices. JT is legally required to respect the opinion of the Council.

Japan origin tobacco leaf cultivation has been decreasing as the number of domestic tobacco growers has decreased (as a consequence of the aging of Japanese society). Partly as a result of this trend and measures taken by JT in the past, such as offering a “cooperation fee” for ceasing tobacco cultivation, the amount of domestic tobacco leaf JT is required to purchase has been decreasing.

### *Pricing*

Pricing is a key component to achieve quality top-line growth. Price changes are initiated by tax changes, which in general involve increases, as well as JT Group’s attempts to increase revenue and profits. In setting a price for a product, JT Group considers various factors, including the positioning of the brand or product, the perceived value of the product in the relevant market and the price of competing products, in order to strike an optimal balance between the potential impact on sales volume and pricing gains on revenue or profit. In general, the higher the unit price set, the greater the profitability JT Group achieves per unit sales. JT Group focuses on increasing value-added product offerings, as such innovative products can be priced higher.

### *Pricing in international tobacco business*

Tax increases continue to be discussed and implemented around the world with varying degrees of consistency. JT Group’s pricing strategy takes into consideration its portfolio structure, affordability levels, illicit trade and government revenue targets. Overall, JT Group aims to enhance predictability of the excise tax increases and avoid tax shocks which tend to destabilise markets.

### *Pricing in Japanese domestic tobacco business*

JT amended retail prices of 224 of its products in conjunction with the increase in tobacco tax that became effective on 1 October 2020. In the tobacco vapor category, a new tax system is being imposed in stages over a five-year period from 2018 to 2022.

The Tobacco Business Act requires JT Group to obtain approval from the Minister of Finance of Japan for setting the maximum wholesale price to wholesalers and retailers, the fixed retail price for each new tobacco product and for any change in these prices.

As of 31 December 2020, taxes, including consumption tax, accounted for approximately 61.8 per cent. of the retail price of a ¥540 pack of cigarettes.

### *Manufacturing*

Processed tobacco leaf is put through another set of processing stages in order to be finally manufactured into tobacco products. These processing stages include flavouring, shredding, further drying, rolling and packaging. In Japan, as of 31 December 2020, JT Group operated 6 manufacturing sites (4 cigarette factories and 2 tobacco-related factories). Outside of Japan, as at 31 December 2020, JT Group operated 35 factories in 28 different countries (including tobacco-related factories). In a limited number of cases, JT Group licenses production of some of its tobacco products to competitors.

As part of JT Group’s ongoing initiatives to strengthen its cost competitiveness, it regularly assesses the efficiency of its supply chain. JT Group’s basic policy is to manufacture its products in or close to the markets



for consumption. However, JT Group also constantly looks at efficiencies in terms of capacity utilisation, product complexity and industry volume trends. As a result, JT Group closes, upgrades or establishes production sites on a regular basis. JT Group's manufacturing footprint is also affected by acquisitions.

### ***Marketing***

JT Group's strategic focus is on core brands including GFBs and JT Group strives to enhance brand value through effective communications with consumers.

JT Group engages in a variety of marketing activities such as sales promotion and advertising in order to enhance consumer loyalty to its brands. In Japan, JT Group advertises its tobacco products through magazine advertisements and several specialised Ploom shops for RRP. Outside of Japan, JT Group's marketing activities vary across the regions but primarily focus on promoting GFBs and RRP.

Globally, JT Group's marketing activities are heavily constrained due to regulations and the tobacco industry's voluntary restrictions on marketing. See *“Risk Factors—Factors that may affect the Issuers' and the Guarantors' ability to fulfil its obligations under or in connection with Notes issued under the Programme and/or the Guarantee—Restrictions on promotion, marketing, packaging, labelling and usage of tobacco products in any market in which JT Group operates might reduce the demand for tobacco products and adversely affect JT Group's operating results.”*

### ***Sales and Distribution***

There are various sales channels for tobacco products including supermarkets, convenience stores, street and train station kiosks, small independent stores, gas stations, specialty retail outlets and vending machines as well.

JT Group's sales and distribution network varies by country in accordance with local legal restrictions, customary practice and business considerations. Where necessary, JT Group uses a network of local agents and distributors.

### ***Research and Development***

JT Group is committed to strengthening its research and development capabilities to ensure a long-term competitive advantage. JT Group focuses on fundamental research and product technology development, taking advantage of JT Group's global research platform, in close collaboration with other functions.

### ***Competition in the Tobacco Industry***

JT Group faces competition in the tobacco industry in terms of both product value and value chains. Competition in product value relates to competition in pricing, taste, format, package, packaging design and introduction of innovative products. Competition in value chains relates to competition in research and development, procurement of raw materials, manufacturing, marketing and distribution of tobacco products. Tobacco companies face an increasingly competitive marketplace globally in all these aspects.

JT Group's principal competitors are Philip Morris International, British American Tobacco and Imperial Brands, each of which has solidified its respective market position. JT Group and these principal competitors account for around two-thirds of the market outside China. The Chinese market is the world's largest tobacco market and is almost exclusively operated by China National Tobacco Corporation.

Since the acquisitions of the non-U.S. tobacco operations of RJR Nabisco, Inc. in 1999 and Gallaher Group Plc in 2007, JT Group has competed extensively with major international tobacco manufacturers, as well as with smaller, local manufacturers. Some of these companies have larger market shares, more extensive

operations and a longer operating history than JT Group in international markets. Some competitors have different profit and volume objectives. JT Group is focused on the balance of short-term profit and mid- to long-term growth and, like its principal competitors, JT Group expects to prioritise investments in RRP and its most widely recognised brands to strengthen the brand equity associated therewith. JT Group expects global competition to intensify further.

### ***Strengthen the operating model***

In February 2021, JT Group announced a new operating model, effective from 2022, to further strengthen the competitiveness and profitability of its tobacco business. First, JT Group aims to unify the domestic and international tobacco businesses. JT Group has been making steady progress in strengthening its tobacco business's foundations to increase its competitiveness globally, for example by consolidating the domestic and international Research & Development and RRP functions into one global operation, and implementing a transformation program in the international tobacco business. To accelerate JT Group's progress, JT Group decided to combine its currently separate international and domestic tobacco businesses into a single unit to achieve scale and so compete with rivals on an equal footing, even in the RRP category. In addition to clarifying its investment priorities, JT Group intends to reorganise the tobacco business to enable it to utilise global resources to the maximum and more effectively and efficiently provide products and services that exceed consumers' needs and expectations. Once consolidated into a single organisation, the tobacco business will compete directly against rivals with no partition between JT and JT International or JT Group's domestic and overseas operations.

### **Pharmaceutical Business**

JT Group's pharmaceutical business focuses on the research and development, production, and sales promotion activities of prescription pharmaceutical products. Its mission is to build world-class and unique research and development capabilities and reinforce its market presence through original and innovative drugs. In the pharmaceutical business, JT concentrates on research and development activities, while its subsidiary Torii Pharmaceutical Co., Ltd. ("**Torii**"), a company listed on the Tokyo Stock Exchange focuses on manufacturing as well as sales and promotion in the Japanese domestic market. The pharmaceutical business accounted for ¥79.0 billion of JT Group's revenue from continuing operations and ¥17.2 billion of its adjusted operating profit from continuing operations for the year ended 31 December 2020. JT Group's pharmaceutical business' revenue declined by 10.8 per cent in 2020 due to lower overseas royalty income. However, adjusted operating profit increased by ¥1.2 billion due to lower research and development expenditure, as a result of the completion of trials for the clinical development of Enarodustat (HIF-PH inhibitor) and Riona (Phosphate binder) for which applications have now been filed for manufacturing and marketing approvals. In addition, Torii saw earnings growth, which more than offset the decrease in overseas royalty income. The business has not experienced any material impact on revenue as a result of COVID-19. Its adjusted operating profit increased by 7.6 per cent. in 2020.

In 2021, revenue is forecast to decrease mainly due to lower overseas royalty income, partially offset by an increase in revenue in Torii, and an increase in one-time compensation gains from licensed compounds. Adjusted operating profit is forecast to decrease due to an increase in research and development expenditure in addition to the decrease in revenue.

### ***Clinical Development Pipeline***

As of 9 February 2021, JT Group has seven drug candidates at the clinical development stage excluding those of Torii. The content of JT Group's drug development portfolio will change over time as new compounds progress from discovery to development and from development to market, and as JT Group discontinues

testing of product candidates that do not prove to be promising or feasible to develop or market. Due to the uncertainties and difficulties of the drug development process, it is not unusual for compounds, especially those in the early stages of investigation but including later stage candidates as well, to be terminated as they progress through development.

### ***Research and Development***

Research and development is the cornerstone of JT Group’s pharmaceutical business and is important to the long-term growth and profitability of the pharmaceutical business. Research and development activities focus mainly on the fields of metabolic diseases; autoimmune/inflammatory diseases; and viral infection. In addition to the research and development activities at the Central Pharmaceutical Research Institute in Osaka, Japan, JT Group is working to enhance its research and development pipeline, exploring opportunities for strategic in- or out-licensing and strengthening collaboration with license partners.

The following is a list of JT’s significant licensing deals that have been concluded to date:

<b>Compounds</b>	<b>Licensing Partner (in/out)</b>	<b>Year</b>
Elvitegravir (HIV)	Gilead Sciences, Inc. (out)	2005
Mekinist (Cancer)	Novartis AG (out)	2006
Anti-ICOS monoclonal antibody	AstraZeneca (out)	2006
Riona (Phosphate binder)	Keryx Biopharmaceuticals, Inc. (in)	2007
Delgocitinib (JAK inhibitor)	Leo Pharma A/S (out)	2014
	ROHTO Pharmaceutical (out)	2018
Calcifediol extended-release capsules (SHPT)	OPKO Health, Inc. (in)	2017
Enarodustat (HIF-PH inhibitor)	Shenzhen Salubris Pharmaceuticals Co., Ltd (out)	2019
Tapinarof (TAMA)	Dermavant Sciences GmbH. (in)	2020

### ***Research and development process***

The process of developing pharmaceutical products for commercialisation is extremely complex, costly and time-consuming. According to the Japan Pharmaceutical Manufacturers Association, developing a new drug in Japan takes approximately 9 to 16 years. Only a small fraction of compounds that enter the clinical trial phases, requiring large investments, result in commercially viable products.

### ***Production***

JT Group’s pharmaceutical products are produced by Torii or contract manufacturers outside JT Group.

### ***Sales and Promotion***

#### ***Sales and promotion outside Japan***

Outside Japan, JT Group currently has no sales and marketing forces of its own. JT Group licenses out the right to develop and commercialise certain compounds in the development stage to global pharmaceutical companies and receives royalties from its partners based on sales performance.

### *Sales and promotion in Japan*

Torii is mainly responsible for sales of JT Group pharmaceutical products to pharmaceutical wholesalers and promotion to medical facilities.

### ***Competition in the Pharmaceutical Industry***

The pharmaceutical industry is highly competitive worldwide. JT Group's pharmaceutical business focuses on building a research and development-led operational platform. Based on this platform, original compounds are developed and marketed as leading products in major global markets. As such, JT Group faces competition with Japanese pharmaceutical companies and multinational pharmaceutical companies.

### **Processed Food Business**

JT Group's processed food business primarily engages in three businesses, consisting of frozen and ambient food, seasonings, and bakeries. Its mission is to deliver safe, secure, and high-quality food to its customers under its three businesses. The core of JT Group's processed food business is frozen and ambient food, which is operated by JT's subsidiary, TableMark. TableMark concentrates on food products such as frozen noodles, and packed cooked rice. TableMark's frozen noodles, particularly its "Frozen Sanuki-Udon," are household names in Japan. Products for the seasoning business include "Vertex ®IG20", a yeast extract seasoning, which is used in various foods such as instant noodles and snacks. The bakery chain business is operated mainly under the Saint Germain brand. JT Group's processed food business accounted for ¥149.3 billion of JT Group's revenue from continuing operations and ¥0.8 billion of its adjusted operating loss from continuing operations for the year ended 31 December 2020. Revenue decreased by 5.8 per cent due to the decline in sales related to significantly lower demand for food-service products within the frozen and ambient food categories as well as the seasonings businesses, in addition to the significant decline of demand and sales in the bakery business. On the other hand, sales of household products in the frozen and ambient food business increased due to stronger demand. Adjusted operating profit decreased by ¥6.2 billion, due to a decrease in revenue, an increase in logistics costs in the frozen and ambient food business, and impairment loss of assets such as factories and shops in the bakery business, partially offset by improvements in product mix. COVID-19 is estimated to have caused a decrease in revenue of approximately ¥11 billion.

In 2021, revenue is expected to increase due to a partial recovery in sales of food-service products in both the frozen and ambient food as well as the seasonings businesses in addition to a partial recovery in the bakery business, which were all impacted by COVID-19 in 2020. Adjusted operating profit is forecast to increase driven by the increase in revenue, efforts to improve profitability such as cost reduction, and a favourable comparison to 2020, due to the impairment loss of assets such as factories and shops in the bakery chain business, which was recognised in 2020.

### ***Research and Development***

JT Group devotes its efforts to the development of innovative products that meet consumers' needs and preferences. JT Group has developed frozen bread products which allow consumers to enjoy the taste of freshly baked bread at home. Its original techniques for fermentation, baking and freezing create and preserve the taste and texture of fresh bread. In addition, a new process for producing higher quality and value-added frozen udon noodles has been developed by JT Group.

### ***Delivering safe, high-quality products***

As of 31 December 2020, JT Group had 32 processed food factories, which produce a variety of food products, from frozen foods to bakery goods and seasonings. JT Group is dedicated to delivering safe and

high-quality food products to its consumers by thoroughly managing food safety based on the four priorities of food safety, food defence, food quality, and food communication.

#### *Food safety standards*

31 of these factories located inside and outside Japan have already achieved FSSC22000 certification, which is recognised by the Global Food Safety Initiative, a global food industry body that promotes food safety management. JT Group's newest factory, which commenced operations in 2020, is also in the process of obtaining this certification.

In addition, all of the factories that are contracted to manufacture frozen food products on JT Group's behalf have also achieved the ISO22000 or FSSC22000 certification.

#### *Food defence practices*

JT Group seeks to protect its manufacturing processes and products from both intentional and inadvertent contamination. JT Group applies robust food defence guidelines across the supply chain, both in its own factories and its contracted factories, which are referred to during its annual audits. Recent initiatives to strengthen JT Group's defence mechanisms against deliberate contamination include optimising factory cameras and enhancing the way JT Group manages chemical substances.

#### *Enhancing food quality*

JT Group ensures that all of its employees have a deep understanding of the importance of food quality through various initiatives conducted by each factory and the provision to employees of customised e-learning materials. JT Group also listens to its consumers' suggestions for improving product quality, and swiftly shares these with its factories and operations. JT Group responds to its consumers' recommendations through its internal Quality Improvement Committee. The Committee is comprised of representatives from different divisions, including Product Development, Manufacturing, Distribution, Sales, Quality Control, and its Consumer Call Center. JT Group's consumer care service management system is compliant with ISO 10002, the international standard for customer satisfaction and complaints handling.

#### *Food communication*

JT Group responds to consumers' requests for information and can disclose the precise factory where food products were made, or the country of origin of the main ingredients. In order to ensure food safety, JT Group utilises a system that records information about its products at every stage of the process, from the raw materials and production to processing, distribution, and sales. This allows JT Group to trace its products to any point, if necessary. JT Group also provides toll-free numbers on its product labels, which consumers can call to obtain information.

#### ***Sales and Distribution***

In convenience stores and supermarkets, JT Group is striving to increase its exposure by offering a wider range of products and obtaining better shelf space. JT Group's processed food and seasoning products are sold nationwide through retail stores, supermarkets, convenience stores, restaurants, hotels and other channels.

#### ***Competition in the Processed Food Industry***

JT Group competes primarily on the basis of product quality, brand recognition, brand loyalty, marketing, advertising, distributional reach and price. In the Japanese processed food market, JT Group is competing against major processed food producers such as Maruha Nichiro, Nichirei Foods, Ajinomoto Frozen Foods and Nippon Suisan Kaisha, as well as a number of mid- or small-scale producers. However, JT Group is starting to see gradual segregation of competition within the industry according to the product categories

these competitors respectively own. JT Group is also subject to further competition from other existing market participants, and there remains the possibility of new entrants to the industry. JT Group believes it is necessary to monitor trends in sales channels amid the expansion of private brand products by various distribution companies and the reorganisation of wholesale entities. JT Group also needs to be aware of the continuing risk of price fluctuations in the raw materials of its products due to sporadic global food shortages in respect of such materials.

### **Capital Expenditure and Research and Development Expenditure**

JT Group has maintained consistent investment in capital expenditure and research and development over the previous years. Capital expenditure in the years ended 31 December 2018, 2019 and 2020 was ¥160 billion, ¥131 billion and ¥113 billion, respectively. Investment in research and development in the years ended 31 December 2018, 2019 and 2020 was ¥65 billion, ¥64 billion and ¥61 billion, respectively.

### **Property, Plant and Equipment**

JT Group owns manufacturing and other facilities throughout the world. In relation to the tobacco business, which comprises the most significant part of property, plant and equipment of JT Group, as of 31 December 2020, JT Group had 6 tobacco product manufacturing facilities (4 cigarette factories and 2 tobacco-related factories) in Japan. Overseas, JT Group had 35 overseas manufacturing facilities (including tobacco-related factories) as of 31 December 2020, located primarily in Poland, Russia, Germany and Turkey.

In addition, JT Group owns research and development facilities and a number of other properties including its branch and regional offices.

In the course of 2020, JT Group's head office (known as the "JT Building") was sold and JT Group relocated to a rental office building.

As part of the new operating model which JT Group announced in February 2021, one of the cigarette factories in Japan is scheduled to be closed at the end of March 2022.

### **Employees**

As of 31 December 2020, JT Group had 58,300 full-time employees and, taken on an average basis, had 6,681 temporary and part-time employees during the 12 months ended 31 December 2020.

As part of the new operating model which JT announced in February 2021, JT Group will implement a voluntary retirement program and seek retirement of approximately 1,000 full-time employees, 1,600 field partners (being part-time workers that support sales activities) and 150 employees that had been re-employed after their retirement.

### **Share capital**

As of 31 December 2020, JT had 2,000,000,000 shares in issue (fully-paid and non-assessable) (including 225,754,671 treasury shares, which accounts for 11.29 per cent. of total number of shares issued).

The table below sets out JT's major shareholders as of 31 December 2020:

<b>Name</b>	<b>% of total number of shares in issue</b>	<b>Number of shares</b>
The Minister of Finance of Japan	37.59	666,925,200

The Master Trust Bank of Japan, Ltd.	4.35	77,183,500
SMBC Nikko Securities Inc.	3.29	58,303,600

Under the JT Act, as amended on 2 December 2011, the government shall continue to hold more than one-third of the issued shares (excluding shares of class of stock without any voting rights) including in the case where JT issues new shares in the future with the approval of the Minister of Finance.

Pursuant to a supplementary provision of the Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake of Japan (Act No. 107 of 2011), as amended, the government is required to consider the possible disposal of JT shares held by the government after reassessing the policy of the government's holding of these shares with the aim of increasing the funds for repayment of ¥2 trillion in reconstruction-related bonds by the year ending 31 March 2023, considering its involvement in the tobacco-related industries pursuant to the Tobacco Business Act.

### Subsidiaries and associates

As of 31 December 2020, JT had 235 consolidated subsidiaries and 13 associates which were accounted for using the equity method in JT's consolidated financial statements.

The following table presents information on JT's principal consolidated subsidiaries as of 31 December 2020.

<u>Name</u>	<u>Country of Incorporation</u>	<u>Main Business</u>	<u>Percentage held by JT directly or indirectly<sup>(1)</sup></u>
TS Network Co., Ltd.	Japan	Domestic tobacco	85.3
JT Logistics Co., Ltd.	Japan	Domestic tobacco	100.0
Japan Filter Technology Co., Ltd.	Japan	Domestic tobacco	100.0
Fuji Flavor Co., Ltd.	Japan	Domestic tobacco	100.0
JT Engineering Inc.	Japan	Domestic tobacco	100.0
K.K. True Spirit Tobacco Company	Japan	Domestic tobacco	100.0
Torii Pharmaceutical Co., Ltd.	Japan	Pharmaceutical	54.9
TableMark Co., Ltd.	Japan	Processed food	100.0
JT International Group Holding B.V.	Netherlands	International tobacco	100.0
JT International Holding B.V.	Netherlands	International tobacco	100.0
JT International S.A.	Switzerland	International tobacco	100.0
Gallaher Ltd.	United Kingdom	International tobacco	100.0
LLC JTI Russia	Russia	International tobacco	100.0
LLC Petro	Russia	International tobacco	100.0
JT International Germany GmbH	Germany	International tobacco	100.0
JTI Polska Sp. z o. o.	Poland	International tobacco	100.0

<b>Name</b>	<b>Country of Incorporation</b>	<b>Main Business</b>	<b>Percentage held by JT directly or indirectly<sup>(1)</sup></b>
JTI Tütün Urunleri Sanayi A.S.	Turkey	International tobacco	100.0
Akros Pharma Inc.	United States	Pharmaceutical	100.0

(1) Based on the number of voting rights

## **Management**

### ***Corporate Governance Structure***

JT's Board of Directors has the ultimate responsibility for the administration and supervision of its affairs and forms the basis of JT Group's corporate governance framework. The Audit and Supervisory Board also conducts such administrative and supervisory functions through its monitoring and audit activities in cooperation with independent auditors. The Advisory Panel on Nomination and Compensation and the JT Group Compliance Committee are two committees in place to further enhance this governance framework. The Advisory Panel on Nomination and Compensation provides opinions to the Board of Directors regarding the appointment of directors, the compensation calculation policy and the compensation system for the Members of the Board and Executive Officers of JT. The JT Group Compliance Committee advises the Board of Directors on important compliance matters.

JT is a corporation established pursuant to the JT Act and remains subject to the JT Act's requirements, including the governmental approval requirements for certain significant corporate matters.

### ***Members of the Board, Executive Officers and Audit and Supervisory Board Members***

The following table provides information on JT's Members of the Board, Executive Officers and Audit and Supervisory Board Members:

<b>Name</b>	<b>Position</b>	<b>Significant Concurrent Position Outside JT</b>
<b>Members of the Board:</b>		
Yasutake Tango	Chairman of the Board	Outside Director, The Ogaki Kyoritsu Bank, Ltd. Outside Director, Audit & Supervisory Committee Member, Mitsubishi UFJ Trust and Banking Corporation.
Mutsuo Iwai	Deputy Chairman of the Board	Outside Director, Benesse Holdings, Inc.
Masamichi Terabatake	Representative Director	Chairman and Managing Director, JT International Group Holding B.V.
Naohiro Minami	Representative Director	Supervisory Board Member, JT International Holding B.V.
Kiyohide Hirowatari	Representative Director	
Kazuhito Yamashita	Member of the Board	
Main Kohda	Member of the Board (Outside Director)	Novelist.



<b>Name</b>	<b>Position</b>	<b>Significant Concurrent Position Outside JT</b>
		Outside Director, Japan Exchange Group, Inc. Outside Director, Mitsubishi Motors Corporation.
Yukiko Nagashima	Member of the Board (Outside Director)	Standing Audit and Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit and Supervisory Board Member, Recruit Co., Ltd.
Masato Kitera	Member of the Board (Outside Director)	Outside Director, Marubeni Corporation Outside Director, Nippon Steel Corporation
Executive Officers:		
Masamichi Terabatake	President, Chief Executive Officer	
Naohiro Minami	Executive Vice President	
Kiyohide Hirowatari	Executive Vice President	
Kazuhito Yamashita	Senior Vice President	
Junichi Fukuchi	Senior Vice President	
Yuki Maeda	Senior Vice President	
Eiichi Kiyokawa	Senior Vice President	
Kenji Ogura	Senior Vice President	
Chigusa Ogawa	Senior Vice President	
Yasuhiro Nakajima	Senior Vice President	
Shuichi Hirose	Senior Vice President	
Hiroyuki Miki	Senior Vice President	
Akihiro Koyanagi	Senior Vice President	
Toru Oguchi	Senior Vice President	
Toru Hijikata	Senior Vice President	
Muneaki Fujimoto	Senior Vice President	
Shigenori Ohkawa	Senior Vice President	
Hiromasa Furukawa	Senior Vice President	
Kei Nakano	Senior Vice President	
Takehisa Shibayama	Senior Vice President	
Takanori Kikuchi	Senior Vice President	
Koichi Mori	Senior Vice President	
Hiroyuki Fukuda	Senior Vice President	
Osamu Hirose	Senior Vice President	
Hisato Imokawa	Senior Vice President	

<b>Name</b>	<b>Position</b>	<b>Significant Concurrent Position Outside JT</b>
Audit and Supervisory Board Members:		
Ryoko Nagata	Standing Audit and Supervisory Board Member	
Hiroshi Yamamoto	Standing Audit and Supervisory Board Member	
Toru Mimura	Standing Audit and Supervisory Board Member (Outside)	Attorney at Law, Shiba International Law Offices.
Hiroshi Obayashi	Audit and Supervisory Board Member (Outside)	Attorney at Law, Obayashi Law Office. Outside Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Outside Director, Mitsubishi Electric Corporation. Outside Director, Audit & Supervisory Committee Member, Nippon Steel Corporation.
Koji Yoshikuni	Audit and Supervisory Board Member (Outside)	

The business address of each Member of the Board, Executive Officer and Audit and Supervisory Board Member is the principal office of JT, being 1-1, Toranomom 4-chome, Minato-ku, Tokyo 105-6927, Japan.

### ***Conflicts of Interest***

As at the date of this Base Prospectus, the abovementioned Members of the Board, Executive Officers and Audit and Supervisory Board Members mentioned above do not have actual or potential conflicts of interests between any duties to JT and their private interests or other duties.

### ***Members of the Board***

JT's Board of Directors has the ultimate responsibility for the administration and supervision of JT Group's affairs. JT's Articles of Incorporation stipulate that the maximum number of Members of the Board is 15. The directors are nominated by the Board of Directors and elected at an Ordinary General Meeting of Shareholders (each, an "**Annual General Meeting**") for a two-year term, although they may serve any number of consecutive terms. Currently, JT has nine Members of the Board, with the term expiring upon conclusion of the Annual General Meeting to be held in March 2022.

The Board of Directors elects from among its members and Executive Officers: (i) a President; and (ii) one or more Executive Vice President(s), if necessary. The Board of Directors may also elect from among its members: (i) a Chairman of the Board; and (ii) a certain number of Deputy Chairmen of the Board, if necessary. In addition to the foregoing, the Board of Directors elects from among its members one or more Representative Directors, who have the authority to individually represent JT. Currently, the President and two Executive Vice Presidents are the Representative Directors. The Chairman of the Board concentrates on supervising the management activities as a non-Representative Director and chairs the Board of Directors. If

there is a Member of the Board who has any conflict of interest regarding the Board proposals, the Member of the Board cannot participate in the vote for such matters.

JT's Articles of Incorporation stipulate that it may enter into an agreement with the Members of the Board (excluding those who are Executive Directors or the like, as defined under the Companies Act) to limit the scope of their liabilities in advance to the extent permitted by the Companies Act and JT may exempt Members of the Board from liabilities to the extent permitted by the same act. This provision is intended to enable Members of the Board to fulfil their expected role and make it easier to appoint the right persons from a broad choice both within and outside JT Group. JT has such liability limiting agreements with its outside directors and the Chairman of the Board.

All of JT's Members of the Board are engaged in the business on a full-time basis except for Main Kohda, Yukiko Nagashima and Masato Kitera, who are outside directors as defined under the Companies Act.

### ***Executive Officers***

In order to enhance corporate value by responding promptly to the changing business environment and to manage group-wide business activities effectively and efficiently, JT has appropriately delegated authorities to executive officers, to enable them to act independently within specified limits before further authority from the Board must be sought.

Executive Officers are appointed by the Board of Directors and assigned specific business execution in their respective areas of responsibility in accordance with group-wide management strategies. Currently JT has 25 Executive Officers, four of whom are also Members of the Board.

### ***Audit and Supervisory Board Members and Independent Auditors***

As an independent body acting on behalf of JT's shareholders, each Audit and Supervisory Board member has a statutory duty to conduct operating audits and accounting audits. The operating audit seeks to ensure that the business execution by the Members of the Board is compliant with legal and regulatory requirements and JT's Articles of Incorporation. The accounting audit supervises the process and the result of the audit conducted by the independent auditors. The Audit and Supervisory Board members' report containing the result of both operating audits and accounting audits is submitted to shareholders at the Annual General Meetings. Audit and Supervisory Board members have various legal rights in order to accomplish their roles and responsibilities, including making reporting requests to the Members of the Board, Executive Officers, and employees; issuing an injunction for illegal activities by Members of the Board; representing the company in the case of litigation between any Members of the Board and such company; and dismissing independent auditors by the consent of all Audit and Supervisory Board members under limited circumstances. Audit and Supervisory Board members are obligated to attend the Board of Directors meetings, monitor the discussion and, if necessary, express their opinions at such meetings, but are not entitled to vote. Audit and Supervisory Board members are required to report to the Board of Directors, and have the right to call the Board of Directors when they find any breach of or any attempt to breach laws and regulations or the Articles of Incorporation.

JT's Articles of Incorporation stipulate that the maximum number of members of the Audit and Supervisory Board is 5, and any member may only serve for a term of not more than four years, although they may serve any number of consecutive terms. Audit and Supervisory Board members are elected at Annual General Meetings. Before the Board of Directors submits a proposal to elect Audit and Supervisory Board members to the Annual General Meeting, the proposal needs to be approved by the Audit and Supervisory Board. JT currently has five Audit and Supervisory Board members. Three out of five Audit and Supervisory Board members are outside Audit and Supervisory Board members under the Companies Act. Outside Audit and

Supervisory Board members are appointed in light of their significant experience in their respective backgrounds and broad perspective.

JT's Articles of Incorporation provide that Audit and Supervisory Board members shall be exempt from liability, and that the Audit and Supervisory Board members shall be able to sign a limited liability contract, to the extent allowed under the Companies Act. JT has signed such limited liability contracts with all of the Audit and Supervisory Board members.

In addition to Audit and Supervisory Board members, JT is required to appoint and have appointed an independent auditor, subject to approval by shareholders, who has the statutory duties of examining the financial statements to be submitted to the shareholders and preparing its audit report thereon. Currently JT's independent auditor is Deloitte Touche Tohmatsu LLC.

## **Legal Proceedings**

JT and some of its subsidiaries are defendants in legal proceedings. These proceedings generally may be classified as: (i) smoking/vaping and health related cases brought on behalf of individual, or a class of individual, plaintiffs, seeking damages for harm allegedly caused by smoking or vaping, the marketing of tobacco products, or exposure to tobacco smoke; (ii) health care cost recovery litigations brought by governmental plaintiffs seeking to recoup the health care costs they have allegedly incurred and/or will incur, resulting from a "tobacco related wrong"; (iii) product liability claims other than smoking/vaping and health-related cases such as claims relating to product quality problems; and (iv) other legal proceedings, such as commercial and tax disputes. Damages claimed in some of the smoking and health related cases are substantial.

While JT and its subsidiaries believe they have a number of valid defences and counter-claims in these pending cases, litigation is subject to many uncertainties and it is not possible to predict with certainty their outcome at this time or in future lawsuits. See "*Risk Factors—Factors that may affect the Issuers' and the Guarantor's ability to fulfil its obligations under or in connection with Notes issued under the Programme and/or the Guarantee—Substantial costs could be incurred in connection with litigation*".

### ***Smoking/Vaping and Health Related Litigation***

As of 31 December 2020, there were a total of 21 smoking and health related cases pending in which one or more members of JT Group were named as defendant or for which JT or the relevant member of JT Group may have certain indemnity obligations pursuant to an agreement such as in relation to JT's acquisition of RJR Nabisco, Inc.'s overseas (non-U.S.) tobacco operations.

On March 8, 2019, JTI-Macdonald Corp. ("**JTI-Mac**"), JT's Canadian subsidiary, filed for protection from its creditors under the Companies' Creditors Arrangement Act ("**CCAA**"). The Ontario Superior Court has granted the CCAA application and extended protection in favour of JTI-Mac (the "**CCAA Proceedings**"). All the below matters pertaining to litigation against JTI-Mac in Canada have been stayed by the CCAA Proceedings, pursuant to which JTI-Mac is permitted to carry on its business in the ordinary course.

### ***Individual Claims***

As of 31 December 2020, there are three ongoing individual cases.

The first is a matter brought against JT's indemnitee in South Africa in October 2000. The Plaintiff seeks compensatory and punitive damages, alleging that JT's indemnitee's marketed products which it knew to be dangerous to health, manipulated nicotine content to foster addiction, failed to comply with South African

labelling requirements and participated in a clandestine worldwide operation to encourage children to smoke. This case has been dormant since February 2001.

The second matter relates to litigation against a JT subsidiary in Ireland and has been dormant since May 2004.

The third matter relates to litigation in the U.S. alleging adverse health effects associated with E-Vapor use and harm caused to consumers by misleading representations and advertising, for which plaintiffs are seeking damages and/or demanding the inclusion of health warnings against E-Vapor manufacturers in the U.S. One such case has been brought against a number of E-Vapor manufacturers, including certain of JT's subsidiaries. The litigation is in its early stages and JT believes that there are valid grounds to defend this claim.

### ***Class Actions***

There are eight ongoing class actions in Canada against JTI-Mac and/or its indemnitees. All of these cases are currently stayed pursuant to the CCAA Proceedings.

In 1998, two class actions were brought in Quebec against three Canadian tobacco manufacturers including JTI-Mac.

In one of the class actions in Quebec, brought by Cecilia Letourneau, plaintiffs were seeking a total of approximately ¥371.1 billion (approximately CAD 4.6 billion) in compensatory damages, an amount for which all the defendants are jointly and severally liable, together with approximately ¥371.1 billion (approximately CAD 4.6 billion) in punitive damages, to be divided among all the defendants based on their respective market shares. The Quebec Superior Court published the first instance judgment in favour of the plaintiffs in June 2015. In June 2015, JTI-Mac and other tobacco manufacturers appealed the judgment to the Quebec Court of Appeal, and the appeal on the merits was heard and concluded in November 2016. In March 2019, the Quebec Court of Appeal dismissed the appeal of the defendants by substantively upholding the first instance judgment and ordering a punitive damages award against the appellants of approximately ¥13.0 billion (approximately CAD 161 million), of which the share of the total damages award against JTI-Mac is approximately ¥1.2 billion (approximately CAD 15 million). The time limit for seeking leave to appeal the decision to the Supreme Court of Canada is suspended during the CCAA Proceedings. Enforcement of the judgment is stayed by the CCAA Proceedings.

In the other class action in Quebec, brought by Conseil Québécois sur le tabac et la santé, plaintiffs were seeking a total of approximately ¥1,005.4 billion (approximately CAD 12.4 billion) in compensatory damages, an amount for which all the defendants are jointly and severally liable, and a total amount of approximately ¥65.5 billion (approximately CAD 0.8 billion) in punitive damages, to be divided among all the defendants based on their respective market shares. The Quebec Superior Court published the first instance judgment in favour of the plaintiffs in June 2015. In June 2015, JTI-Mac and other tobacco manufacturers appealed the judgment to the Quebec Court of Appeal, and the appeal on the merits was heard and concluded in November 2016. In March 2019, the Quebec Court of Appeal dismissed the appeal of the defendants by substantively upholding the first instance judgment and ordering a compensatory damage award jointly and severally against the defendants of approximately ¥1,093.5 billion (approximately CAD 13.5 billion), of which the share of the total damage award against JTI-Mac is approximately ¥142.2 billion (approximately CAD 1.8 billion), and a punitive damage award of approximately ¥3 million (approximately CAD 0.04 million) per defendant. The time limit for seeking leave to appeal the decision to the Supreme Court of Canada is suspended during the CCAA Proceedings. Enforcement of the judgement is stayed by the CCAA Proceedings.

The Quebec Court of Appeal rendered one judgment in respect of both class actions in Quebec against the defendants and ordered them to make an initial deposit into court of approximately ¥93.9 billion

(approximately CAD 1.2 billion), of which JTI-Mac's share is approximately ¥11.8 billion (approximately CAD 145 million). The obligation to pay the initial deposit into court has been stayed by the CCAA Proceedings.

In three other class actions, brought in Saskatchewan, Manitoba and Nova Scotia in 2009, each of which is dormant and is currently stayed by the CCAA Proceedings, plaintiffs are seeking damages from tobacco industry members, including JTI-Mac and JT's indemnitees, on behalf of a class of plaintiffs who allege that they are or have been addicted to nicotine contained in cigarettes manufactured by the defendants.

The two class actions brought in British Columbia in 2010 against tobacco industry members, including JTI-Mac and JT's indemnitees, are dormant and are currently stayed pursuant to the CCAA Proceedings.

The class action brought in 2012 in Ontario against tobacco industry members, including JTI-Mac and JT's indemnitees, is currently stayed pursuant to the CCAA Proceedings.

### ***Health Care Cost-Recovery Litigation***

There are 10 ongoing health care cost recovery cases in Canada pending against a JT subsidiary and JT's indemnitees brought by all the Canadian provinces (except three Canadian territories). These provinces filed lawsuits under their own provincial legislation which was enacted exclusively for the purpose of authorising the relevant provincial government to file a direct action against tobacco manufacturers to recoup the health care costs the relevant provincial government has allegedly incurred and will incur as a result of alleged "tobacco-related wrongs".

The claim in British Columbia was filed in January 2001 against tobacco industry members including JTI-Mac and JT's indemnitees based on its provincial legislation, the "Tobacco Damages and Health Care Costs Recovery Act". The claim amount is unspecified. In 2001, several defendants challenged the legislation's constitutionality in a claim which was ultimately rejected by the Supreme Court of Canada in September 2005. The action remains in the first instance Court. The case has been stayed pursuant to the CCAA Proceedings.

The claims in New Brunswick, Ontario and Newfoundland and Labrador, were brought in 2008, 2009, and 2011, respectively, against JTI-Mac and JT's indemnitees in each case pursuant to legislation similar to that introduced in British Columbia. The cases have been stayed pursuant to the CCAA Proceedings.

The claims in Quebec, Alberta, Manitoba, Saskatchewan and Prince Edward Island were filed in 2012, and the claim in Nova Scotia was filed in 2015, against JTI-Mac and JT's indemnitees are based in each case on legislation similar to that introduced in British Columbia. The cases have been stayed pursuant to the CCAA Proceedings.

### ***EU Cooperation Agreement***

In 2007, JT International S.A. and JT International Holding B.V. signed a cooperation agreement with the European Commission, the executive branch of the EU, and the then associated EU Member States as part of efforts to combat illicit trades. During the 15-year period after the execution of the agreement, JT Group must pay U.S.\$50 million annually in the first five years and U.S.\$15 million annually in the subsequent 10 years in accordance with the agreement. The seizure of contraband JT cigarettes by the participating EU Member States can result in additional payments depending on the amount seized, although some exemptions are available under the terms of the agreement and such payments have been and are expected to remain immaterial. These financial contributions are to be used to support anti-smuggling and anti-counterfeiting initiatives led by the EU or EU Member States.

***Other Legal Proceedings***

JT and some of its subsidiaries are also engaged in other proceedings such as commercial or tax disputes.

## DESCRIPTION OF JT INTERNATIONAL FINANCIAL SERVICES B.V.

JTIFS was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 15 February 2016. It has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Bella Donna 4, 1181 RM Amstelveen, the Netherlands. JTIFS has no authorised share capital, which means it can issue an unlimited number of shares in its capital. At the date of this Base Prospectus, JTIFS has 1 ordinary share with a nominal value of U.S.\$1 issued and outstanding and paid-up. All issued ordinary shares will be registered, and no share certificates will be issued. For the period since its incorporation until 31 December 2020, JTIFS recorded income of U.S.\$679,000 and as of 31 December 2020 had assets of U.S.\$4,063,997,000 and liabilities of U.S.\$4,063,318,000. Investors should, however, look to the consolidated financial information of JT Group (and in particular the 2020 Financial Statements incorporated by reference in this Base Prospectus) for the purposes of making an investment decision in respect of the Notes.

The objectives of JTIFS are:

- (a) to incorporate, to participate in any way whatsoever, to manage, to supervise, to operate and to promote enterprises, businesses and companies;
- (b) to finance businesses and companies;
- (c) to borrow, to lend and to raise funds, including the issuance of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned;
- (d) to supply advice and to render services to enterprises and companies with which the company forms a group and to third parties;
- (e) to render guarantees, to bind the company and to pledge its assets for obligations of the companies and enterprises with which it forms a group and on behalf of third parties;
- (f) to obtain, alienate, manage and exploit registered property and items of property in general;
- (g) to trade in currencies, securities and items of property in general;
- (h) to develop and trade in patent, trademarks, licences, knowhow and other industrial property rights;
- (i) to perform any and all activity of industrial, financial or commercial nature; and
- (j) as well as everything pertaining to the foregoing, relating thereto or conducive thereto, all in the widest sense of the word.

JT is the indirect 100 per cent. shareholder of JTIFS. The principal function of JTIFS is to operate as a holding and financing company. According to its articles of association, a supervisory board, consisting of one or more individuals, supervises, advises and assists the management board in the performance of its duties and management of the general affairs of JTIFS. The supervisory board members and the management board members are appointed by the general meeting. The supervisory board may appoint from among its members an audit committee. The function of the audit committee is to prepare the decision-making of the supervisory board.

The following table sets out the composition of the supervisory board and the management board of JTIFS:



<b>Name</b>	<b>Position</b>	<b>Managing Directors and Supervisory Board Members since</b>
Ivo Jürgen van Wingerden	Managing Director	1 September 2018
Marc Adolf Maria Crutzen	Managing Director	11 April 2018
Lane Silverman	Supervisory Board Member	15 February 2016
Tim Tzu Tiang Lin	Supervisory Board Member	15 February 2016

There are no actual or potential conflicts of interest between the duties of the members of the supervisory board and the management board in relation to JTIFS and their private interests or other duties. The members of the supervisory board and the management board of JTIFS do not have any significant outside business interests and the business address for each such member is Bella Donna 4, 1181 RM Amstelveen, The Netherlands.

The audited financial statements of JTIFS as of 31 December 2020 are incorporated by reference in this Base Prospectus.

## TAXATION

### General

The comments below are of a general nature and are not intended to be exhaustive. They do not purport to be a complete analysis of all tax considerations relating to the Notes. They assume that there will be no substitution of the Issuers and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Potential investors are advised to satisfy themselves as to the overall tax consequences for themselves relating to the Notes by consulting their own tax advisers. The comments below are based upon the law as in effect on the date of this Base Prospectus and are subject to any change in law that may take effect after such date (including laws which have retrospective effect in relation to time periods prior to the date of this Base Prospectus).

### Japan

#### *Notes issued by JT*

Payment of interest on the Notes and paid to an individual resident of Japan, a Japanese corporation (other than a Japanese designated financial institution which has complied with the requirements under the Special Taxation Measures Act, or a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments firm (which has complied with the Japanese tax exemption requirements) through its payment handling agent in Japan as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act), or an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes (a “**non-resident holder**”) that, in either case, is a person having a special relationship (as described in Article 3-2-2, Paragraphs 5 through 7 of the Cabinet Order for Enforcement of the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) (the “**Cabinet Order**”)) with the issuer (a “**Specially-Related Party of the Issuer**”) will be subject to Japanese income tax at a rate of 15.315 per cent. (or, from and including 1 January 2038, at a rate of 15 per cent.) of the amount of such interest.

In the case of payment of interest on the Notes outside Japan to a beneficial owner that is a non-resident holder, such beneficial owner will not be subject to Japanese withholding tax, provided that the beneficial owner complies with procedures for establishing its status as a non-resident holder in accordance with the requirements of Japanese law. However, such payment of interest will be subject to Japanese withholding tax if:

- (a) the amount of interest on the Notes is calculated or determined on the basis of or by reference to certain indicators including the amount of profit, revenue, assets and distribution of surplus, distribution of profit and other similar distributions of the Issuer or any Specially-Related Party of the Issuer as provided in Article 3-2-2 of the Cabinet Order;
- (b) the recipient of interest on the Notes is a Specially-Related Party of the Issuer; or
- (c) the recipient of interest on the Notes has a permanent establishment in Japan and such interest is attributable to such permanent establishment; provided, however, that if such recipient of interest on the Notes has submitted a claim for exemption from Japanese withholding tax (*hikazei tekiyo shinkokusho*) (from and including 1 April 2021, or certain information to be stated in such written application in an electronic form) provided under the Special Taxation Measures Act and such recipient is not a Specially-Related Party of the Issuer, the provisions for withholding tax under Japanese income tax law are not applicable to such interest,

If the recipient of any excess amount of the redemption price over the acquisition cost of any Notes with coupon, defined in Article 41-13 of the Special Taxation Measures Act as redemption premium (the “**Redemption Premium**”), is a non-resident holder with no permanent establishment in Japan that is not a Specially-Related Party of the Issuer, no Japanese income or corporation taxes will be payable with respect to the Redemption Premium. If the receipt of the Redemption Premium is attributable to a permanent establishment maintained by a non-resident holder in Japan and in certain other cases provided by the Cabinet Order, however, the Redemption Premium will be subject to Japanese income or corporation taxes.

Under current Japanese practice, JT and the Paying Agent may determine their withholding obligations in respect of the Notes held through a qualified clearing organisation in reliance on certifications received from such an organisation, and need not obtain certifications from any ultimate beneficial owners of such Notes. As part of the procedures under which such certifications are given, a beneficial owner may be required to establish that it is a non-resident holder and not a Specially-Related Party of the Issuer to the person or entity through which it holds the Notes. A non-resident holder that holds the Notes otherwise than through a qualified clearing organisation may be required to deliver a duly completed claim for exemption from Japanese withholding tax, and to provide documentation concerning its identity, residence and any other required information, to the Paying Agent in order to receive interest from the Paying Agent free of Japanese withholding tax. JT and the Paying Agent may adopt modified or supplemental certification procedures to the extent necessary to comply with changes in, or as otherwise permitted under, Japanese law or administrative practice.

#### ***Notes issued by JTIFS***

Except in circumstances where any interest on the Notes is attributable to a business in Japan conducted by JTIFS in the manner provided for in Article 6 of the Special Taxation Measures Act, the payment of principal and interest in respect of the Notes to a non-resident holder will, under Japanese tax laws currently in effect, not be subject to any Japanese income or corporation tax payable by way of withholding. If any interest on the Notes is attributable to a business in Japan conducted by JTIFS as aforementioned, the foregoing consequences relating to the Notes issued by JT are also applicable to the Notes issued by JTIFS.

#### ***Notes issued by either JT or JTIFS***

Gains derived from the sale outside Japan of Notes by a non-resident holder are in general not subject to Japanese income or corporation taxes. Gains derived from the sales in Japan of Notes and redemption premium of Zero Coupon Notes received by a non-resident holder not having a permanent establishment in Japan are in general not subject to Japanese income or corporation taxes. Japanese general inheritance and gift taxes at progressive rates may be payable by an individual, wherever resident, who has acquired Notes issued by JT as legatee, heir or donee. No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable by Noteholders in connection with the issue of the Notes.

## **The Netherlands**

### ***Introduction***

The following overview applies only in respect of Notes issued by JTIFS and not in respect of Notes issued by JT. References in this section on Netherlands taxation to “Notes” refer only to Notes issued by JTIFS and references to holders of Notes should be construed accordingly.

The following summary outlines the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of Notes, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For the purposes of Dutch tax law, a holder of Notes may include an individual or entity who does not have the legal title to such Notes, but to whom nevertheless the Notes are or

the income from such Notes is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Notes or the income from such Notes. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch corporate and individual income tax consequences for:

- (i) investment institutions (*fiscale beleggingsinstellingen*);
- (ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other Dutch tax resident entities that are not subject to or exempt from Dutch corporate income tax;
- (iii) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutorily defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit-sharing rights in the Issuer;
- (iv) persons to whom Notes and the income from Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);
- (v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and Notes are attributable to such permanent establishment or permanent representative; and
- (vi) individuals to whom Notes or the income there from are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### ***Withholding Tax***

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

However, withholding tax may apply on certain (deemed) payments of interest made to an affiliated (*gelieerde*) entity of the Issuer if such entity (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*), or (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable, or (iii) is entitled to the interest payable for the main purpose or one of the main purposes to avoid taxation for another

person, or (iv) is a hybrid entity, or (v) is not resident in any jurisdiction, all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021*). An entity is regarded as 'affiliated' for these purposes if it, either alone or as part of a collaborating group, can exercise decisive influence on the activities of the Issuer (or if the Issuer can, either alone or as part of a collaborating group, exercise such influence on the activities of the other entity, or if there is a third party, either alone or as part of a collaborating group, that can exercise such control over both the Issuer and such other entity), which is in any event the case if one holds more than 50% of the statutory voting rights.

### ***Corporate and Individual Income Tax***

#### *Residents of the Netherlands*

If a holder of Notes is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent.).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch individual income tax purposes, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 49.50 per cent.) under the Dutch Income Tax Act 2001, if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a statutory threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on savings and investments is taxed at a rate of 31 per cent.

#### *Non-residents of the Netherlands*

If a person is neither a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Dutch corporate or individual income tax purposes, such person is not liable to Dutch income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is, other than by

way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Dutch corporate income tax at up to a maximum rate of 25 per cent.

- (ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is, other than by way of securities, entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 49.50 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on savings and investments (as described above under “Residents of the Netherlands”).

#### ***Gift and Inheritance Tax***

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- (i) the holder of a Note is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

#### ***Value Added Tax***

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

#### ***Other Taxes and Duties***

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

#### **FATCA Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. Each Issuer believes that it is not a foreign financial institution for these purposes. A number of jurisdictions (including Japan and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions.

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding on foreign passthru payments unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “Terms and Conditions of the Notes—Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **The Proposed Financial Transactions Tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

### Summary of Programme Agreement

Subject to the terms and on the conditions contained in an amended and restated programme agreement dated 26 March 2021 (the “**Programme Agreement**”) between the Issuers, the Guarantor, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuers to the Permanent Dealers. However, the Issuers have reserved the right to sell Notes directly on their own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuers will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arranger for certain expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme in accordance with the Programme Agreement.

The Issuers have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Programme Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering or the completion of the distribution of a tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer will be required to agree that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.



### **Prohibition of Sales to European Economic Area Retail Investors**

Each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### **Prohibition of Sales to United Kingdom Retail Investors**

Each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation, and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### **Other regulatory restrictions in the United Kingdom**

Each Dealer has represented and agreed that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Belgium – Prohibition of sales to consumers**

The Notes are not intended to be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any consumer (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*).

Each Dealer has represented and agreed that it has not offered or sold or otherwise made available and that it will not offer or sell or otherwise make available the Notes to any consumer (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

#### **Japan**

*Notes issued by JT (and Notes issued by JTIFS in circumstances where any interest on such Notes is attributable to a business in Japan conducted by it in the manner provided for in Article 6 of the Special Taxation Measures Act (which shall be identified as such in the relevant Final Terms)):*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Special Taxation Measures Act. Each Dealer has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold any Notes and will not, as part of its distribution at any time, directly or indirectly, offer or sell any Notes, to, or for the benefit of, any person other than a Gross Recipient. A “**Gross Recipient**” for this purpose is (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order that will hold Notes for its own proprietary account or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order.

*Notes issued by JTIFS (except for circumstances set out above):*

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act. Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance

with, the Financial Instruments and Exchange Act and other relevant laws and regulations and governmental guidelines of Japan.

### **The Netherlands**

Each Dealer has represented and agreed that, in addition and without prejudice to any other relevant jurisdictions, Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the Dutch Savings Certificates Act (“*Wet inzake Spaarbewijzen*”) of 21 May 1985 (as amended) and its implementing regulations (which include registration requirements). No such mediation is required in respect of (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, (b) the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, (c) the initial issue of such Zero Coupon Notes to the first holders thereof, and (d) the issue and trading of such Zero Coupon Notes if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March, 1987, (“*Staatscourant 129*”) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. For purposes of this paragraph “Zero Coupon Notes” means Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due and payable during their tenor but only at maturity or on which no interest is due whatsoever.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### Switzerland

- (a) Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, subject to paragraph (b) below:
  - (i) the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**") and will not be admitted to trading on a trading venue (exchange or multilateral trading facility) in Switzerland;
  - (ii) neither this Base Prospectus nor any Final Terms nor any other offering or marketing material relating to any Notes (x) constitutes a prospectus compliant with the requirements of article 109 of the Swiss Financial Services Ordinance ("**FinSO**") and article 652a or article 1156 of the Swiss Code of Obligations (as such articles were in effect immediately prior to the entry into effect of the FinSA) or pursuant to art. 35/45 FinSA for a public offering of the Notes in Switzerland and no such prospectus has been or will be prepared for or in connection with the offering of the Notes in Switzerland or (y) has been or will be filed with or approved by a Swiss review body (*Prüfstelle*) pursuant to article 52 of the FinSA; and
  - (iii) neither this Base Prospectus nor any Final Terms nor other offering or marketing material relating to any Notes may be publicly distributed or otherwise made publicly available in Switzerland.
- (b) Notwithstanding paragraph (a) above, in respect of any Tranche of Notes to be issued, the relevant Issuer, the Guarantor (if applicable) and the relevant Dealers may agree that (x) such Notes may be publicly offered in Switzerland within the meaning of the FinSA and/or (y) an application will be made by (or on behalf of) the relevant Issuer and the Guarantor (if applicable) to admit such Notes to trading on a trading venue (exchange or multilateral trading facility) in Switzerland, provided that (i) the relevant Issuer and the Guarantor (if applicable) are able to rely, and are relying, on an exemption from the requirement to prepare and publish a prospectus under the FinSA in connection with such public offer and/or application for admission to trading, (ii) in the case of any such public offer, the relevant Dealers have agreed to comply with any restrictions applicable to the offer and sale of such Notes that must be complied with in order for the relevant Issuer and the Guarantor (if applicable) to rely on such exemption; and (iii) the applicable Final Terms will specify that such Notes may be publicly offered in Switzerland within the meaning of the FinSA and/or the trading venue in Switzerland to which an application will be made by (or on behalf of) the relevant Issuer and the Guarantor (if applicable) to admit such Notes to trading thereon.

- (c) Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that (i) no key information document (*Basisinformationsblatt*) pursuant to article 58 (1) FinSA (or any equivalent document under the FinSA) has been or will be prepared in relation to any Notes and (ii) therefore, any Notes with a derivative character within the meaning of article 86 (2) FinSO may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

### **General**

Neither the relevant Issuer, nor the Guarantor nor any Dealer have made any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus, any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

### **Other Relationships**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuers and their respective affiliates in the ordinary course of business for which they have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their affiliates. Certain of the Dealers or their affiliates that have lending relationships with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the relevant Issuer's securities, including potentially any Notes to be offered under the Programme. Any such short positions could adversely affect future trading prices of the Notes. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

### FORM OF FINAL TERMS

Final Terms dated [●]

[JAPAN TOBACCO INC.]/[JT INTERNATIONAL FINANCIAL SERVICES B.V.]

Legal Entity Identifier (LEI): [353800Z0ENYBQ00XRJ31]/[549300U2F0PG10VZUN93]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

[Guaranteed by JAPAN TOBACCO INC.]

under the

JAPAN TOBACCO INC. and JT INTERNATIONAL FINANCIAL SERVICES B.V.

U.S.\$7,000,000,000

Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated [●] [and the supplement to it dated [●]] (the “**Base Prospectus**”), save in respect of the Conditions (as defined below) which are extracted from the Base Prospectus dated [original date] [and the supplement to it dated [●]]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Base Prospectus. Copies of the Base Prospectus may be obtained from [●].

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [●] [and the supplement dated [●]].

**PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of

the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)] [distributor] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and “Excluded Investment Products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

1	[(i)] Issuer:	[Japan Tobacco Inc.]/[JT International Financial Services B.V.]
	[(ii)] Guarantor:	Japan Tobacco Inc.]
2	[(i)] Series Number:	[•]
	[(ii)] Tranche Number:	[•]
	[(iii)] Date on which the Notes become	[Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for

	fungible:]	trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below [which is expected to occur on or about [insert date]]].]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount	[•]
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6	(i) Specified Denominations:	[•]  <i>(N.B. If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000) in excess thereof, insert the additional wording below which follows the Guidance Note published by ICMA in November 2006 (or its replacement from time to time). “€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000].”)</i>
	(ii) Calculation Amount:	[•]  <i>(N.B. If there is only one Specified Denomination, insert the Specified Denomination of the relevant Notes. If there are several Specified Denominations, insert the highest common factor of those Specified Denominations.)</i>
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date	[Specify]/[Issue Date]/[Not Applicable]
8	Maturity Date:	[Specify date]/[(for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9	Interest Basis:	[•][ per cent. Fixed Rate] [[specify reference rate] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (specify)] (further particulars specified below)



- 10 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (*specify*)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]/[Not Applicable]
- 12 Put/Call Options: [Not Applicable]  
[Investor Put]  
[Issuer Call]  
[Issuer Maturity Par Call]  
[Issuer Make-Whole Call]  
[(further particulars specified below)]
- 13 [(i)] Status of the Notes: Senior
- [(ii)] Status of the Guarantee: Senior  
*(subject to statutory preferential rights given to holders of debt securities issued by the Guarantor which are classified as “shasai” under the laws of Japan)*
- [(iii)] [Date of Board resolution approving the issuance of the Notes [and the grant of the Guarantee]: [●] [and [●], respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 14 Fixed Rate Note Provisions [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iii) below]/[(not adjusted)]  
*(Interest Payment Dates for Fixed Rate Notes are normally not subject to adjustment by any Business Day Convention)*
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]/[Not

		Applicable]
	(iv) Fixed Coupon Amount[(s):	[[●] per Calculation Amount]/[Not Applicable]
	(v) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(vi) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[specify other]
	(vii) [Determination Dates:	[●] in each year ( <i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i> ]
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Give details]/[Not Applicable]
15	Floating Rate Note Provisions	[Applicable]/[Not Applicable] ( <i>If not applicable, delete the remaining subparagraphs of this paragraph</i> )
	(i) Interest Period(s):	[[●], [subject to adjustment in accordance with the Business Day Convention set out in (v) below]/[not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii) Specified Interest Payment Dates:	[[●] in each year, [subject to adjustment in accordance with the Business Day Convention set out in (v) below]/[not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
	(iii) Interest Period Date:	[Not Applicable]/[●] [in each year, [subject to adjustment in accordance with the Business Day Convention set out in (v) below]/[not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(iv) First Interest Payment Date:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )]/[Not Applicable]
	(vi) Business Centre(s):	[●]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination]/[ISDA Determination]/[other ( <i>give details</i> )]
	(viii) Party responsible for calculating the	[●]

	Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	
	(ix) Screen Rate Determination:	
	– Reference Rate:	[•]
	– Interest Determination Date(s):	[•]
	– Relevant Screen Page:	[•]
	(x) ISDA Determination:	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	(xi) Linear Interpolation:	[Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
	(xii) Margin(s):	[+/-][•] per cent. per annum
	(xiii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiv) Maximum Rate of Interest:	[•] per cent. per annum
	(xv) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[ <i>specify other</i> ] ( <i>See condition 5 for alternatives</i> )
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
16	Zero Coupon Note Provisions	[Applicable]/[Not Applicable] ( <i>If not applicable, delete the remaining subparagraphs of this paragraph</i> )
	(i) Amortisation Yield:	[•] per cent. per annum
	(ii) [Day Count Fraction in relation to Early Redemption Amounts:	[30/360]/[Actual/360]/[Actual/365 ]/[ <i>specify other</i> ] ( <i>See condition 5 for alternatives</i> )
	(iii) Any other formula/basis of determining amount payable:	[•]
17	Index Linked Interest Note/other variable-linked interest Note Provisions	[Applicable]/[Not Applicable] ( <i>If not applicable, delete the remaining subparagraphs of this paragraph</i> )
	(i) Index/Formula/other variable:	[ <i>give or annex details</i> ]

- |        |   |  |
|--------|---|--|
| (ii)   | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):  | [•]  |
| (iii)  | Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:  | [•]  |
| (iv)   | Determination Date(s):  | [•]  |
| (v)    | Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [•]  |
| (vi)   | Interest or calculation period(s):  | [•]  |
| (vii)  | Specified Interest Payment Dates:   | [•]  |
| (viii) | Business Day Convention:  | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other ( <i>give details</i> )] |
| (ix)   | Business Centre(s):   | [•]  |
| (x)    | Minimum Rate/Amount of Interest:  | [•] [per cent.] per annum  |
| (xi)   | Maximum Rate/Amount of Interest:  | [•] [per cent.] per annum  |
| (xii)  | Day Count Fraction:   | [•]  |
| 18     | Dual Currency Note Provisions   | [Applicable]/[Not Applicable]<br><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>   |
| (i)    | Rate of Exchange/method of calculating Rate of Exchange:  | <i>[give details]</i>  |
| (ii)   | Party, if any, responsible for calculating the principal and/or interest due (if not the Fiscal Agent):   | [•]  |
| (iii)  | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:   | [•]  |
| (iv)   | Person at whose option Specified Currency(ies) is/are payable:  | [•]  |

**PROVISIONS RELATING TO REDEMPTION**

- |    |             |  |
|----|-------------|--|
| 19 | Issuer Call | [Applicable]/[Not Applicable]<br><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
|----|-------------|--|

	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period	[•] days
20		Issuer Maturity Par Call:	[Applicable]/[Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i)	Notice Period:	[•] days
	(ii)	Issuer Maturity Par Call Commencement Date:	[•]
21		Issuer Make-Whole Call:	[Applicable]/[Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i)	Notice Period:	[•] days
	(ii)	Discounting on an annual or semi-annual basis	[Annual/Semi-annual]
	(iii)	Day Count Fraction:	[•]
	(iv)	Margin:	[•] basis points
	(v)	Reference Dealers:	[•]
	(vi)	Determination Date:	[•]
	(vii)	Determination Time	[•]
	(viii)	Reference Stock	[•]
	(ix)	Other provisions relating to the Issuer Make-Whole Call	[Not Applicable]/ <i>[give details]</i>
22		Put Option	[Applicable]/[Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount/ <i>specify other/see Appendix</i>
	(iii)	Notice period	[•] days

23 Final Redemption Amount of each Note [●] per Calculation Amount

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: *[give or annex details]*
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount

24 Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25 Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

Registered Notes:

- [Global Certificate registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- 26 New Global Note or New Safekeeping Structure: [Yes]/[No]  
[New Global Note]  
[The Global Certificate will be registered in the name of a nominee for a Common Safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the new safekeeping structure)]
- 27 Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable]/[give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which subparagraphs 15(v) and 17(ix) relate]
- 28 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [No]/[Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
- 29 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable]/[give details]
- 30 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable]/[give details]
- 31 Other terms or special conditions: [Not Applicable]/[give details]

#### **[LISTING AND ADMISSION TO TRADING APPLICATION]**

These Final Terms comprise the final terms required to have the Notes admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading to the Euro MTF Market of the Luxembourg Stock Exchange pursuant to the U.S.\$7,000,000,000 Euro Medium Term Note Programme of the Issuer.]

#### **RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of [JAPAN TOBACCO INC./JT INTERNATIONAL FINANCIAL SERVICES B.V.] (as Issuer):

By: .....  
Duly authorised

[Signed on behalf of **JAPAN TOBACCO INC.** (as Guarantor):

By: .....  
Duly authorised]



## PART B – OTHER INFORMATION

### 1 LISTING

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on *[specify relevant market - note this must not be a regulated market]* with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on *[specify relevant market - note this must not be a regulated market]* with effect from [●].]/[Not Applicable.]

*(Where documenting a fungible issue, indicate that original Notes are already admitted to trading.)*

### 2 RATINGS

Ratings:

The Programme is rated as of the date of these Final Terms:

[Moody's Japan K.K.: [●]]

[S&P Global Ratings Japan Inc.: [●]]

The Notes to be issued [are expected to be/have not been] rated:

[Moody's Japan K.K.: [●]]

[S&P Global Ratings Japan Inc.: [●]]

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

### 3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. (Amend as appropriate if there are other interests)]

### 4 [REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

[(i) Reasons for the offer:

[●]

*(see "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

[(ii) Estimated net proceeds:

[●]

*(Only necessary to include disclosure of net proceeds at (ii) above where disclosure is not included at (i) above.)*

5 **OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

CFI: [[•]/Not Applicable]

FISN: [[•]/Not Applicable]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable]/[give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] *[include this text for registered notes]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as “no” at the date of this Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) *[include this text for registered notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6 **DISTRIBUTION**

(i) Method of distribution: [Syndicated/Non-syndicated]

- (ii) If syndicated, names of Managers: [Not Applicable]/[give names]
- (iii) Stabilising Manager(s) (if any): [Not Applicable]/[give names]
- (iv) If non-syndicated, name of Dealer: [Not Applicable]/[give name]
- (v) U.S. Selling Restrictions: Regulation S Compliance Category 2;  
[TEFRA C]/ [TEFRA D]/[TEFRA not applicable]
- (vi) [Japanese Selling Restrictions applicable to Notes issued by JTIFS] [The Notes [are]/[are not] issued in circumstances where any interest on the Notes is attributable to a business in Japan conducted by JTIFS in the manner provided for in Article 6 of the Special Taxation Measures Act.]  
  
[Delete in the case of Notes issued by JT]
- (vii) Additional selling restrictions: [Not Applicable]/[give details]

## GENERAL INFORMATION

- (1) Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to be listed on the Official List and trading on the Market.
- (2) Each of the Issuers and the Guarantor has obtained all necessary consents, approvals and authorisations in Japan and the Netherlands in connection with the establishment and update of the Programme and, in the case of JT, the Guarantee. The establishment and update of the Programme and the issues of Notes under the Programme by JT and the giving of the Guarantee by the JT have been duly authorised by resolutions of the Board of Directors of JT dated 23 March 2016 and 9 February 2021. The establishment and update of the Programme has been duly authorised by resolutions of the Board of Managing Directors, the Board of Supervisory Directors and the Sole Shareholder of JTIFS, each dated 21 March 2016 and 24 March 2021.
- (3) Except as disclosed in this Base Prospectus, there has been no significant change in the financial performance or position of JT since 31 December 2020 and no material adverse change in the prospects of JT and its consolidated subsidiaries, taken as a whole, since 31 December 2020.

There has been no significant change in the financial performance or position of JTIFS since 31 December 2020 and no material adverse change in the prospects of JTIFS since 31 December 2020.

- (4) Except as disclosed on pages 92 to 95 of this Base Prospectus, neither JT nor any other member of JT Group is, or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which JT is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in that period significant effects on the financial position or profitability of either JT or JT Group, taken as a whole.

JTIFS has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which JTIFS is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in that period significant effects on the financial position or profitability of JTIFS.

- (5) Each Note, Receipt, Coupon and Talon issued by JT and, in circumstances where any interest on the Notes is attributable to a business in Japan conducted in the manner provided for in Article 6 of the Special Taxation Measures Act, JTIFS will bear the following legend:

*“Payment of interest on the Notes to an individual resident of Japan, a Japanese corporation (except for a Japanese designated financial institution which has complied with the requirements under the Special Taxation Measures Act, and a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments firm (which has complied with the Japanese tax exemption requirements) through its payment handling agent in Japan as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act), or an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes that, in either case, is a person having a special relationship (as described in the Special Taxation Measures Act) with the issuer will be subject to Japanese income tax at a rate of 15.315 per cent. (from and including 1 January 2038, at a rate of 15 per cent.) of the amount of such interest.”*

- (6) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend:

*“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.*

- (7) Notes have been accepted for clearance through the Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the Classification of Financial Instruments (CFI) code, the Financial Instrument Short Name (FISN) and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of any alternative clearing system will be specified in the applicable Final Terms.

- (8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The relevant Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (9) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, without charge, during usual business hours on any weekday (Saturdays and public holidays excepted), from the principal office in Luxembourg of Mizuho Trust & Banking (Luxembourg) S.A. (acting as listing agent in Luxembourg):
- (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
  - (ii) the Deed of Covenant in respect of JT;
  - (iii) the Deed of Covenant in respect of JTIFS;
  - (iv) the Deed of Guarantee;
  - (v) the Articles of incorporation or other constitutive documents of each of the Issuers; and
  - (vi) a copy of this Base Prospectus together with any Supplement to this Base Prospectus and any documents incorporated herein by reference.

This Base Prospectus is, and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be, published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

- (10) Deloitte Touche Tohmatsu LLC have audited and rendered an unqualified audit report on the audited consolidated financial statements of JT as of and for the year ended 31 December 2020, which includes comparative information as of and for the year ended 31 December 2019.
- (11) Deloitte Accountants B.V. have audited and rendered an unqualified audit report on the audited financial statements of JTIFS as of and for the year ended 31 December 2020, which includes comparative information as of and for the year ended 31 December 2019.

**Registered Office of  
Japan Tobacco Inc.**

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**Registered Office of  
JT International Financial Services B.V.**

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The Netherlands

**Arranger and Dealer**

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United Kingdom

**Dealers**

**BofA Securities Europe SA**

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**Citigroup Global Markets Europe AG**

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**Commerzbank Aktiengesellschaft**

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Federal Republic of Germany

**DBS Bank Ltd.**

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**Deutsche Bank Aktiengesellschaft**

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Germany

**J.P. Morgan AG**

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60310 Frankfurt am Main  
Germany

**J.P. Morgan Securities plc**

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**Merrill Lynch International**

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**Mizuho Securities Asia Limited**

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Tsim Sha Tsui, Kowloon  
Hong Kong

**Morgan Stanley & Co. International plc**

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**MUFG Securities (Europe) N.V.**  
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**Société Générale**  
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Paris La Défense Cedex  
France

**Standard Chartered Bank**  
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London EC2V 5DD  
United Kingdom

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich  
Germany

**Fiscal Agent, Paying Agent, Transfer Agent, Registrar and Calculation Agent**

**Mizuho Trust & Banking (Luxembourg) S.A.**  
1B rue Gabriel Lippmann  
L-5365 Munsbach  
Grand-Duché de Luxembourg

**Luxembourg Listing Agent**

**Mizuho Trust & Banking (Luxembourg) S.A.**  
1B rue Gabriel Lippmann  
L-5365 Munsbach  
Grand-Duché de Luxembourg

**Auditors**

**to Japan Tobacco Inc.**

**Deloitte Touche Tohmatsu LLC**  
Marunouchi Nijubashi Building  
3-2-3 Marunouchi  
Chiyoda-ku, Tokyo 100-8360  
Japan

**to JT International Financial Services B.V.**

**Deloitte Accountants B.V.**  
Gustav Mahlerlaan 2970  
1081 LA Amsterdam  
PO Box 58110  
1040 HC Amsterdam  
The Netherlands

**Legal Advisers  
to the Issuers and the Guarantor**

*as to Japanese law*

**Mori Hamada & Matsumoto**

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*as to English law*

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**to the Dealers**

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