

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

[Cover]

Shelf Registration Supplement Number: 30-Kanto1-1
 Document to be filed: Shelf Registration Supplement
 Filing to: Director-General of the Kanto Local Finance Bureau
 Date of filing: September 4, 2018
 Company name (Japanese): 日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
 Company name (English): JAPAN TOBACCO INC.
 Title and name of representative: Masamichi Terabatake, Representative Director and President, Chief Executive Officer
 Location of head office: 2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan
 Telephone number: +81-3-3582-3111 (Main)
 Contact person: Hideki Tsuchida, Treasurer
 Place of contact: 2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan
 Telephone number: +81-3-3582-3111 (Main)
 Contact person: Hideki Tsuchida, Treasurer
 Type of securities offered to which shelf registration is to be applied: Bonds
 Amount of this offering: Twelfth Series Straight Bonds (five years) ¥60,000 million
 Thirteenth Series Straight Bonds (ten years) ¥30,000 million
 Fourteenth Series Straight Bonds (twenty years) ¥10,000 million
 Total ¥100,000 million

Details of the Shelf Registration Statement:

Date of filing	August 2, 2018
Effective date	August 14, 2018
Expiration date	August 13, 2019
Shelf registration number	30-Kanto1
Scheduled amount of issue or maximum outstanding balance	Scheduled amount of issue: ¥300,000 million

Previous subscriptions:

When the scheduled amount of issue is stated.

Number	Date of filing	Amount of offering (yen)	Date of correction due to reduction	Reduction (yen)
—	—	—	—	—
Total subscription (yen)		None (None)	Total reduction (yen)	None

Note: The total subscription was calculated based on the total amount of the aggregate face value or that of transferred bonds (the figure in parentheses is the total amount of the aggregate issue price).

Balance (scheduled amount – total subscription – total reduction) ¥300,000 million (¥300,000 million)

Note: The balance was calculated based on the total amount of the aggregate face value or that of transferred bonds (the figure in parentheses is the total amount of the aggregate issue price).

When the maximum outstanding balance is stated.

Not applicable

Balance (maximum outstanding balance – total subscription + total redemption – total reduction): –

Items regarding stabilizing transactions: No items to report

Place where the document is available for public inspection: Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. INFORMATION CONCERNING SECURITIES

I. Terms and Conditions of Offering for Subscription

1. Newly issued bonds (except short-term bonds) (five-year bonds)

Issue	The Twelfth Series Straight Bonds with General Mortgage (hereinafter in this section, the “Bonds”)
Registered or bearer	-
Aggregate face value or that of transferred bonds	¥60,000 million
Denomination of each bond	¥100 million
Total amount of issue	¥60,000 million
Issue price	¥100 per face value of ¥100
Interest rate	0.110% per annum
Interest payment dates	March 10 and September 10 of each year
Interest payment method	<p>1. Method and expiration of interest payment</p> <p>(1) The interest shall be paid over the period from the day after the payment date to the redemption date, with the initial payment date being March 10, 2019, on which the interest portion up to that date shall be paid, and subsequent payments on March 10 and September 10 of each year covering six-month interest portions.</p> <p>(2) In the event the date on which interest is to be paid falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) Interest portions covering periods less than six months shall be calculated per diem.</p> <p>(4) Interest shall not be paid after the redemption date.</p> <p>2. Place of interest payment</p> <p>As provided separately in “Note 11. Payment of principal and interest”</p>
Final redemption date	September 8, 2023
Redemption method	<p>1. Redemption price</p> <p>¥100 per face value of ¥100</p> <p>2. Redemption method and redemption date</p> <p>(1) The aggregate principal amount of the Bonds shall be redeemed on September 8, 2023.</p> <p>(2) In the event the date on which redemption is to be effected falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) The retirement by purchase of the Bonds may be effected at any time after the day following the payment date unless otherwise provided in laws and regulations, business regulations of the book-entry transfer institution provided separately in the field “book-entry transfer institution” or other rules.</p>

	3. Place of principal payment As provided separately in “Note 11. Payment of principal and interest”
Method of offering	Public offering in Japan
Deposit for subscription	¥100 per face value of ¥100 appropriated to the payment amount on the payment date. No interest shall be paid on the deposit for subscription.
Application date	September 4, 2018
Place of application	Head and branch offices of underwriters in Japan provided separately
Payment date	September 10, 2018
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 1-1, Nihonbashi-kayabacho 2-chome, Chuo-ku, Tokyo
Mortgage	General mortgage in accordance with the Japan Tobacco Inc. Act
Financial covenants (mortgage restrictions)	No items to report (the Bonds are backed by a general mortgage with no financial covenants)
Financial covenants (other clauses)	No items to report

Notes: 1. Credit rating

The credit rating acquired from a credit rating agency for the Bonds, the date of acquiring the credit rating and the way to find information announced by the credit rating agency during the application period are as follows (the contact telephone number of the credit rating agency is shown for contact in cases where information is otherwise unavailable due to system trouble or the like).

Rating and Investment Information, Inc. (hereinafter, “R&I”)

Credit rating: AA (Double A) (acquisition date: September 4, 2018)

Way to find: On the R&I homepage (<https://www.r-i.co.jp/rating/index.html> (Japanese) or <https://www.r-i.co.jp/en/index.html> (English)), click on “More ...” in the lower right-hand of the “Rating Actions & Comments” section, and the information is provided in the “Find a Report” section.

Contact telephone number: +81-(0)3-6273-7471

The credit rating is the current opinion of the credit rating agency regarding the certainty of fulfillment of obligations (credit risk) and is not a statement of fact. In addition, the credit rating is not investment advice, a recommendation to purchase, or a guarantee of information or debt. The object of the evaluation of the credit rating is limited to credit risk and the rating does not address any risk other than credit risk, such as liquidity risk, market value risk and price volatility risk. The credit rating of the credit rating agency may be changed if the credit rating agency deems necessary in its evaluation of credit risk, or it may be withdrawn (or suspended) due to insufficient information or other such reason. Although the credit rating agency utilizes information it deems to be highly reliable (including information provided by the issuer) for its evaluation, it does not independently audit and verify the information obtained.

2. Application of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc.

- (1) The provisions of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (hereinafter, the “Transfer Act”) applies for the Bonds, and it shall be handled in accordance to the business regulations, etc. relating to the transfer business of the book-entry transfer institution provided separately in the field “book-entry transfer institution.”
- (2) No bond certificates shall be issued except where bondholders are permitted to request for the issuance thereof as per the Transfer Act.
- (3) In the event of a request as per (2) above, bond certificates shall only be issued in bearer form with coupon, the bondholder may not request for signature bonds (registration), and bond certificates may not be divided or consolidated. In addition, any expenses incurred for the issuance of bond certificates shall be borne by Japan Tobacco Inc. (hereinafter, the “Company”).

3. Bond administrator

Mizuho Bank, Ltd.

4. Acceleration covenants

The Company shall lose its benefit of term with respect to the Bonds in the event of any of the following.

- (1) The Company infringes upon the provisions of Item 2 in the separate “redemption method” field or Item 1 in the separate “interest payment method” field.
- (2) The Company violates the provisions and requirements of Notes 5, 6, 7 and 10 herein and fails to comply with such provisions and requirements or remedy such violation within the period designated by the bond administrator, which shall be no less than one month.
- (3) The Company loses its benefit of term with respect to bonds other than the Bonds or is unable to redeem such bonds that are due.

- (4) The Company loses its benefit of term with respect to debt payable other than bonds or is unable to perform guarantee obligations effected by the Company with respect to bonds and other debt payable owed by another entity even though the performance of such guarantee obligation is required; provided, however, that this shall not apply if the total amount of obligations does not exceed ¥5.0 billion (after converted into yen).
 - (5) The Company files for bankruptcy, civil rehabilitation or corporate reorganization proceedings, or a resolution is passed by the Board of Directors for a proposal of the dissolution of the Company (excluding in the event of a merger) to be placed on the agenda of the General Meeting of Shareholders.
 - (6) A decision is made to commence bankruptcy, civil rehabilitation or corporate reorganization proceedings, or an order is filed to commence special liquidation proceedings with respect to the Company.
 - (7) An order is filed for the attachment or auction (including public auction) of assets essential to the business of the Company, a disposition for delinquency is received by the Company or some other factor resulting in facts that damage the credibility of the Company, which leads to the recognition by the bond administrator that the continuation of the Bonds is inappropriate.
5. Notices to the bond administrator
- (1) In the event that an event happens that requires an additional entry in the bond registry or a change thereof subsequent to the issuance of the Bonds, the Company shall without delay make such entry and notify the bond administrator in writing with the name and seal of its representative.
 - (2) The Company shall notify in advance the bond administrator in writing prior to any of the following.
 - a. Transfer or lease of assets essential to the business of the Company
 - b. Pledge of important assets of the Company as collateral
 - c. Suspension or abolition of all businesses or some important businesses
 - d. Reduction of capitalization or reserves
 - e. Entity conversion, merger or company split, or stock exchange or stock transfer
6. Investigatory powers of the bond administrator
- (1) In the event the bond administrator determines as necessary for the exercise of its authority or performance of duties, it may request the submission of materials or reports on the business, accounting or ledgers, etc. of the Company, its consolidated subsidiaries and equity method companies or may investigate by itself in the event of the possibility of any of the matters prescribed in Note 4 herein.
 - (2) The Company shall cooperate in the event of (1) above whereby an investigation is conducted by the bond administrator with respect to the Company, its consolidated subsidiaries and equity method companies.
7. Reports on outline of business, etc. to bond administrator
- (1) The Company shall report on its business conditions to the bond administrator and, concerning annual accounts settlements and dividends of surplus (including interim dividends provided for in Article 454, paragraph (5) of the Companies Act), shall notify the bond administrator immediately subsequent to any approval or resolution thereof by the Board of Directors. The Company shall effectuate the above also in the event of the preparing of temporary financial statements on a certain date as prescribed in Article 441, paragraph (1) of the Companies Act.
 - (2) The Company shall notify the bond administrator without delay if having submitted an annual securities report, quarterly securities report, extraordinary report or amendment report as well as any appendices in accordance with the Financial Instruments and Exchange Act, a written confirmation provided for in Article 24-4-2 of said Act and an internal control report provided for in Article 24-4-4 of same to the Director-General of the Kanto Local Finance Bureau; provided, however, that in the event the bond administrator requests for the submission of duplicate copies of the above, the Company shall submit same to the bond administrator.
8. Authority of the bond administrator in objection procedures for creditors
- The bond administrator shall, irrespective of the provisions of the main text of Article 740, paragraph (2) of the Companies Act, refrain from raising objections on behalf of bondholders with respect to filings of objections as per paragraph (1) of said Article without a resolution of the bondholders' meeting.
9. Bondholders' meeting
- (1) The bondholders' meeting shall be composed of holders of the same class of bonds (as prescribed in Article 681, item (i) of the Companies Act) as the Bonds (hereinafter, the "Bonds of This Class"). The Company or the bond administrator shall convene said meeting by giving a public notice up to three weeks prior to the date thereof on the details on the convocation as well as the items prescribed in Article 719 of the Companies Act.
 - (2) The bondholders' meeting of holders of the Bonds of This Class shall take place in Tokyo.
 - (3) A bondholder who own one-tenth or more of the total amount of the Bonds of This Class (excluding the amount already redeemed; the total amount of the bonds held by the Company is not factored into the calculation) may request for the convocation of the bondholders' meeting by presenting to the bond administrator the documentation concerning the Bonds of This Class as prescribed in Article 86, paragraphs (1) and (3) of the Transfer Act and submitting to the Company or the bond administrator a document describing the purpose(s) for the bondholders' meeting and the reason(s) for its convocation.
10. Method of public notice
- Any notices to bondholders concerning the Bonds shall be effected by the electronic publication method prescribed in the Articles of Incorporation of the Company, unless otherwise stipulated in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the Articles of Incorporation and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications). Also, any notices by the bond administrator shall be effected by the electronic publication method prescribed in the articles of incorporation of the bond administrator in addition to a method prescribed in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the articles of incorporation of the bond administrator and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications).
11. Payment of principal and interest
- The principal and interest of the Bonds shall be paid in accordance with the Transfer Act and the business regulations of the book-entry transfer institution provided separately in the "book-entry transfer institution" field as well as other rules.

12. Issuing and paying agents

The tasks of the issuing and paying agents for the Bonds as per the business regulations established by the book-entry transfer institution provided separately in the “book-entry transfer institution” field shall be effected by Mizuho Bank, Ltd.

2. Underwriting of the Bonds and retention of management of the Bonds (five-year bonds):

(1) Underwriting of the Bonds

Underwriter	Address	Amount (Millions of yen)	Conditions
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	21,000	1. The underwriters shall jointly and severally underwrite the full amount of the Bonds as well as handle the public offering. Should the amount of the offering not cover the full amount thereof, same shall underwrite the balance. 2. The total underwriting fee for the Bonds shall be ¥115 million.
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	21,000	
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	12,000	
Nomura Securities Co., Ltd.	9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	3,000	
Daiwa Securities Co. Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,000	
Total	—	60,000	—

(2) Retention for management of the Bonds

Bond administrator	Address	Conditions
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	The fee for administering the Bonds paid to the bond administrator shall be ¥720 thousand per year during the term of the Bonds.

3. Newly issued bonds (except short-term bonds) (ten-year bonds)

Issue	The Thirteenth Series Straight Bonds with General Mortgage (hereinafter in this section, the “Bonds”)
Registered or bearer	–
Aggregate face value or that of transferred bonds	¥30,000 million
Denomination of each bond	¥100 million
Total amount of issue	¥30,000 million
Issue price	¥100 per face value of ¥100
Interest rate	0.355% per annum
Interest payment dates	March 10 and September 10 of each year
Interest payment method	<p>1. Method and expiration of interest payment</p> <p>(1) The interest shall be paid over the period from the day after the payment date to the redemption date, with the initial payment date being March 10, 2019, on which the interest portion up to that date shall be paid, and subsequent payments on March 10 and September 10 of each year covering six-month interest portions.</p> <p>(2) In the event the date on which interest is to be paid falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) Interest portions covering periods less than six months shall be calculated per diem.</p> <p>(4) Interest shall not be paid after the redemption date.</p> <p>2. Place of interest payment</p> <p>As provided separately in “Note 11. Payment of principal and interest”</p>
Final redemption date	September 8, 2028
Redemption method	<p>1. Redemption price</p> <p>¥100 per face value of ¥100</p> <p>2. Redemption method and redemption date</p> <p>(1) The aggregate principal amount of the Bonds shall be redeemed on September 8, 2028.</p> <p>(2) In the event the date on which redemption is to be effected falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) The retirement by purchase of the Bonds may be effected at any time after the day following the payment date unless otherwise provided in laws and regulations, business regulations of the book-entry transfer institution provided separately in the field “book-entry transfer institution” or other rules.</p> <p>3. Place of principal payment</p> <p>As provided separately in “Note 11. Payment of principal and interest”</p>
Method of offering	Public offering in Japan

Deposit for subscription	¥100 per face value of ¥100 appropriated to the payment amount on the payment date. No interest shall be paid on the deposit for subscription.
Application date	September 4, 2018
Place of application	Head and branch offices of underwriters in Japan provided separately
Payment date	September 10, 2018
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 1-1, Nihonbashi-kayabacho 2-chome, Chuo-ku, Tokyo
Mortgage	General mortgage in accordance with the Japan Tobacco Inc. Act
Financial covenants (mortgage restrictions)	No items to report (the Bonds are backed by a general mortgage with no financial covenants)
Financial covenants (other clauses)	No items to report

Notes: 1. Credit rating

The credit rating acquired from a credit rating agency for the Bonds, the date of acquiring the credit rating and the way to find information announced by the credit rating agency during the application period are as follows (the contact telephone number of the credit rating agency is shown for contact in cases where information is otherwise unavailable due to system trouble or the like).

Rating and Investment Information, Inc. (hereinafter, "R&I")

Credit rating: AA (Double A) (acquisition date: September 4, 2018)

Way to find: On the R&I homepage (<https://www.r-i.co.jp/rating/index.html> (Japanese) or <https://www.r-i.co.jp/en/index.html> (English)), click on "More ..." in the lower right-hand of the "Rating Actions & Comments" section, and the information is provided in the "Find a Report" section.

Contact telephone number: +81-(0)3-6273-7471

The credit rating is the current opinion of the credit rating agency regarding the certainty of fulfillment of obligations (credit risk) and is not a statement of fact. In addition, the credit rating is not investment advice, a recommendation to purchase, or a guarantee of information or debt. The object of the evaluation of the credit rating is limited to credit risk and the rating does not address any risk other than credit risk, such as liquidity risk, market value risk and price volatility risk. The credit rating of the credit rating agency may be changed if the credit rating agency deems necessary in its evaluation of credit risk, or it may be withdrawn (or suspended) due to insufficient information or other such reason. Although the credit rating agency utilizes information it deems to be highly reliable (including information provided by the issuer) for its evaluation, it does not independently audit and verify the information obtained.

2. Application of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc.

- (1) The provisions of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (hereinafter, the "Transfer Act") applies for the Bonds, and it shall be handled in accordance to the business regulations, etc. relating to the transfer business of the book-entry transfer institution provided separately in the field "book-entry transfer institution."
- (2) No bond certificates shall be issued except where bondholders are permitted to request for the issuance thereof as per the Transfer Act.
- (3) In the event of a request as per (2) above, bond certificates shall only be issued in bearer form with coupon, the bondholder may not request for signature bonds (registration), and bond certificates may not be divided or consolidated. In addition, any expenses incurred for the issuance of bond certificates shall be borne by Japan Tobacco Inc. (hereinafter, the "Company").

3. Bond administrator

Mizuho Bank, Ltd.

4. Acceleration covenants

The Company shall lose its benefit of term with respect to the Bonds in the event of any of the following.

- (1) The Company infringes upon the provisions of Item 2 in the separate "redemption method" field or Item 1 in the separate "interest payment method" field.
- (2) The Company violates the provisions and requirements of Notes 5, 6, 7 and 10 herein and fails to comply with such provisions and requirements or remedy such violation within the period designated by the bond administrator, which shall be no less than one month.
- (3) The Company loses its benefit of term with respect to bonds other than the Bonds or is unable to redeem such bonds that are due.
- (4) The Company loses its benefit of term with respect to debt payable other than bonds or is unable to perform guarantee obligations effected by the Company with respect to bonds and other debt payable owed by another entity even though the performance of such guarantee obligation is required; provided, however, that this shall not apply if the total amount of obligations does not exceed ¥5.0 billion (after converted into yen).
- (5) The Company files for bankruptcy, civil rehabilitation or corporate reorganization proceedings, or a resolution is passed by the Board of Directors for a proposal of the dissolution of the Company (excluding in the event of a merger) to be placed on the agenda of the General Meeting of Shareholders.

- (6) A decision is made to commence bankruptcy, civil rehabilitation or corporate reorganization proceedings, or an order is filed to commence special liquidation proceedings with respect to the Company.
 - (7) An order is filed for the attachment or auction (including public auction) of assets essential to the business of the Company, a disposition for delinquency is received by the Company or some other factor resulting in facts that damage the credibility of the Company, which leads to the recognition by the bond administrator that the continuation of the Bonds is inappropriate.
5. Notices to the bond administrator
- (1) In the event that an event happens that requires an additional entry in the bond registry or a change thereof subsequent to the issuance of the Bonds, the Company shall without delay make such entry and notify the bond administrator in writing with the name and seal of its representative.
 - (2) The Company shall notify in advance the bond administrator in writing prior to any of the following.
 - a. Transfer or lease of assets essential to the business of the Company
 - b. Pledge of important assets of the Company as collateral
 - c. Suspension or abolition of all businesses or some important businesses
 - d. Reduction of capitalization or reserves
 - e. Entity conversion, merger or company split, or stock exchange or stock transfer
6. Investigatory powers of the bond administrator
- (1) In the event the bond administrator determines as necessary for the exercise of its authority or performance of duties, it may request the submission of materials or reports on the business, accounting or ledgers, etc. of the Company, its consolidated subsidiaries and equity method companies or may investigate by itself in the event of the possibility of any of the matters prescribed in Note 4 herein.
 - (2) The Company shall cooperate in the event of (1) above whereby an investigation is conducted by the bond administrator with respect to the Company, its consolidated subsidiaries and equity method companies.
7. Reports on outline of business, etc. to bond administrator
- (1) The Company shall report on its business conditions to the bond administrator and, concerning annual accounts settlements and dividends of surplus (including interim dividends provided for in Article 454, paragraph (5) of the Companies Act), shall notify the bond administrator immediately subsequent to any approval or resolution thereof by the Board of Directors. The Company shall effectuate the above also in the event of the preparing of temporary financial statements on a certain date as prescribed in Article 441, paragraph (1) of the Companies Act.
 - (2) The Company shall notify the bond administrator without delay if having submitted an annual securities report, quarterly securities report, extraordinary report or amendment report as well as any appendices in accordance with the Financial Instruments and Exchange Act, a written confirmation provided for in Article 24-4-2 of said Act and an internal control report provided for in Article 24-4-4 of same to the Director-General of the Kanto Local Finance Bureau; provided, however, that in the event the bond administrator requests for the submission of duplicate copies of the above, the Company shall submit same to the bond administrator.
8. Authority of the bond administrator in objection procedures for creditors
- The bond administrator shall, irrespective of the provisions of the main text of Article 740, paragraph (2) of the Companies Act, refrain from raising objections on behalf of bondholders with respect to filings of objections as per paragraph (1) of said Article without a resolution of the bondholders' meeting.
9. Bondholders' meeting
- (1) The bondholders' meeting shall be composed of holders of the same class of bonds (as prescribed in Article 681, item (i) of the Companies Act) as the Bonds (hereinafter, the "Bonds of This Class"). The Company or the bond administrator shall convene said meeting by giving a public notice up to three weeks prior to the date thereof on the details on the convocation as well as the items prescribed in Article 719 of the Companies Act.
 - (2) The bondholders' meeting of holders of the Bonds of This Class shall take place in Tokyo.
 - (3) A bondholder who own one-tenth or more of the total amount of the Bonds of This Class (excluding the amount already redeemed; the total amount of the bonds held by the Company is not factored into the calculation) may request for the convocation of the bondholders' meeting by presenting to the bond administrator the documentation concerning the Bonds of This Class as prescribed in Article 86, paragraphs (1) and (3) of the Transfer Act and submitting to the Company or the bond administrator a document describing the purpose(s) for the bondholders' meeting and the reason(s) for its convocation.
10. Method of public notice
- Any notices to bondholders concerning the Bonds shall be effected by the electronic publication method prescribed in the Articles of Incorporation of the Company, unless otherwise stipulated in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the Articles of Incorporation and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications). Also, any notices by the bond administrator shall be effected by the electronic publication method prescribed in the articles of incorporation of the bond administrator in addition to a method prescribed in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the articles of incorporation of the bond administrator and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications).
11. Payment of principal and interest
- The principal and interest of the Bonds shall be paid in accordance with the Transfer Act and the business regulations of the book-entry transfer institution provided separately in the "book-entry transfer institution" field as well as other rules.
12. Issuing and paying agents
- The tasks of the issuing and paying agents for the Bonds as per the business regulations established by the book-entry transfer institution provided separately in the "book-entry transfer institution" field shall be effected by Mizuho Bank, Ltd.

4. Underwriting of the Bonds and retention of management of the Bonds (ten-year bonds):

(1) Underwriting of the Bonds

Underwriter	Address	Amount (Millions of yen)	Conditions
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	10,500	1. The underwriters shall jointly and severally underwrite the full amount of the Bonds as well as handle the public offering. Should the amount of the offering not cover the full amount thereof, same shall underwrite the balance. 2. The total underwriting fee for the Bonds shall be ¥85 million.
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	10,500	
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	6,000	
Nomura Securities Co., Ltd.	9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	1,500	
Daiwa Securities Co. Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,500	
Total	–	30,000	–

(2) Retention for management of the Bonds

Bond administrator	Address	Conditions
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	The fee for administering the Bonds paid to the bond administrator shall be ¥360 thousand per year during the term of the Bonds.

5. Newly issued bonds (except short-term bonds) (twenty-year bonds)

Issue	The Fourteenth Series Straight Bonds with General Mortgage (hereinafter in this section, the “Bonds”)
Registered or bearer	–
Aggregate face value or that of transferred bonds	¥10,000 million
Denomination of each bond	¥100 million
Total amount of issue	¥10,000 million
Issue price	¥100 per face value of ¥100
Interest rate	0.758% per annum
Interest payment dates	March 10 and September 10 of each year
Interest payment method	<p>1. Method and expiration of interest payment</p> <p>(1) The interest shall be paid over the period from the day after the payment date to the redemption date, with the initial payment date being March 10, 2019, on which the interest portion up to that date shall be paid, and subsequent payments on March 10 and September 10 of each year covering six-month interest portions.</p> <p>(2) In the event the date on which interest is to be paid falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) Interest portions covering periods less than six months shall be calculated per diem.</p> <p>(4) Interest shall not be paid after the redemption date.</p> <p>2. Place of interest payment</p> <p>As provided separately in “Note 11. Payment of principal and interest”</p>
Final redemption date	September 10, 2038
Redemption method	<p>1. Redemption price</p> <p>¥100 per face value of ¥100</p> <p>2. Redemption method and redemption date</p> <p>(1) The aggregate principal amount of the Bonds shall be redeemed on September 10, 2038.</p> <p>(2) In the event the date on which redemption is to be effected falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) The retirement by purchase of the Bonds may be effected at any time after the day following the payment date unless otherwise provided in laws and regulations, business regulations of the book-entry transfer institution provided separately in the field “book-entry transfer institution” or other rules.</p> <p>3. Place of principal payment</p> <p>As provided separately in “Note 11. Payment of principal and interest”</p>
Method of offering	Public offering in Japan

Deposit for subscription	¥100 per face value of ¥100 appropriated to the payment amount on the payment date. No interest shall be paid on the deposit for subscription.
Application date	September 4, 2018
Place of application	Head and branch offices of underwriters in Japan provided separately
Payment date	September 10, 2018
Book-entry transfer institution	Japan Securities Depository Center, Incorporated 1-1, Nihonbashi-kayabacho 2-chome, Chuo-ku, Tokyo
Mortgage	General mortgage in accordance with the Japan Tobacco Inc. Act
Financial covenants (mortgage restrictions)	No items to report (the Bonds are backed by a general mortgage with no financial covenants)
Financial covenants (other clauses)	No items to report

Notes: 1. Credit rating

The credit rating acquired from a credit rating agency for the Bonds, the date of acquiring the credit rating and the way to find information announced by the credit rating agency during the application period are as follows (the contact telephone number of the credit rating agency is shown for contact in cases where information is otherwise unavailable due to system trouble or the like).

Rating and Investment Information, Inc. (hereinafter, "R&I")

Credit rating: AA (Double A) (acquisition date: September 4, 2018)

Way to find: On the R&I homepage (<https://www.r-i.co.jp/rating/index.html> (Japanese) or <https://www.r-i.co.jp/en/index.html> (English)), click on "More ..." in the lower right-hand of the "Rating Actions & Comments" section, and the information is provided in the "Find a Report" section.

Contact telephone number: +81-(0)3-6273-7471

The credit rating is the current opinion of the credit rating agency regarding the certainty of fulfillment of obligations (credit risk) and is not a statement of fact. In addition, the credit rating is not investment advice, a recommendation to purchase, or a guarantee of information or debt. The object of the evaluation of the credit rating is limited to credit risk and the rating does not address any risk other than credit risk, such as liquidity risk, market value risk and price volatility risk. The credit rating of the credit rating agency may be changed if the credit rating agency deems necessary in its evaluation of credit risk, or it may be withdrawn (or suspended) due to insufficient information or other such reason. Although the credit rating agency utilizes information it deems to be highly reliable (including information provided by the issuer) for its evaluation, it does not independently audit and verify the information obtained.

2. Application of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc.

- (1) The provisions of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (hereinafter, the "Transfer Act") applies for the Bonds, and it shall be handled in accordance to the business regulations, etc. relating to the transfer business of the book-entry transfer institution provided separately in the field "book-entry transfer institution."
- (2) No bond certificates shall be issued except where bondholders are permitted to request for the issuance thereof as per the Transfer Act.
- (3) In the event of a request as per (2) above, bond certificates shall only be issued in bearer form with coupon, the bondholder may not request for signature bonds (registration), and bond certificates may not be divided or consolidated. In addition, any expenses incurred for the issuance of bond certificates shall be borne by Japan Tobacco Inc. (hereinafter, the "Company").

3. Bond administrator

Mizuho Bank, Ltd.

4. Acceleration covenants

The Company shall lose its benefit of term with respect to the Bonds in the event of any of the following.

- (1) The Company infringes upon the provisions of Item 2 in the separate "redemption method" field or Item 1 in the separate "interest payment method" field.
- (2) The Company violates the provisions and requirements of Notes 5, 6, 7 and 10 herein and fails to comply with such provisions and requirements or remedy such violation within the period designated by the bond administrator, which shall be no less than one month.
- (3) The Company loses its benefit of term with respect to bonds other than the Bonds or is unable to redeem such bonds that are due.
- (4) The Company loses its benefit of term with respect to debt payable other than bonds or is unable to perform guarantee obligations effected by the Company with respect to bonds and other debt payable owed by another entity even though the performance of such guarantee obligation is required; provided, however, that this shall not apply if the total amount of obligations does not exceed ¥5.0 billion (after converted into yen).
- (5) The Company files for bankruptcy, civil rehabilitation or corporate reorganization proceedings, or a resolution is passed by the Board of Directors for a proposal of the dissolution of the Company (excluding in the event of a merger) to be placed on the agenda of the General Meeting of Shareholders.

- (6) A decision is made to commence bankruptcy, civil rehabilitation or corporate reorganization proceedings, or an order is filed to commence special liquidation proceedings with respect to the Company.
 - (7) An order is filed for the attachment or auction (including public auction) of assets essential to the business of the Company, a disposition for delinquency is received by the Company or some other factor resulting in facts that damage the credibility of the Company, which leads to the recognition by the bond administrator that the continuation of the Bonds is inappropriate.
5. Notices to the bond administrator
- (1) In the event that an event happens that requires an additional entry in the bond registry or a change thereof subsequent to the issuance of the Bonds, the Company shall without delay make such entry and notify the bond administrator in writing with the name and seal of its representative.
 - (2) The Company shall notify in advance the bond administrator in writing prior to any of the following.
 - a. Transfer or lease of assets essential to the business of the Company
 - b. Pledge of important assets of the Company as collateral
 - c. Suspension or abolition of all businesses or some important businesses
 - d. Reduction of capitalization or reserves
 - e. Entity conversion, merger or company split, or stock exchange or stock transfer
6. Investigatory powers of the bond administrator
- (1) In the event the bond administrator determines as necessary for the exercise of its authority or performance of duties, it may request the submission of materials or reports on the business, accounting or ledgers, etc. of the Company, its consolidated subsidiaries and equity method companies or may investigate by itself in the event of the possibility of any of the matters prescribed in Note 4 herein.
 - (2) The Company shall cooperate in the event of (1) above whereby an investigation is conducted by the bond administrator with respect to the Company, its consolidated subsidiaries and equity method companies.
7. Reports on outline of business, etc. to bond administrator
- (1) The Company shall report on its business conditions to the bond administrator and, concerning annual accounts settlements and dividends of surplus (including interim dividends provided for in Article 454, paragraph (5) of the Companies Act), shall notify the bond administrator immediately subsequent to any approval or resolution thereof by the Board of Directors. The Company shall effectuate the above also in the event of the preparing of temporary financial statements on a certain date as prescribed in Article 441, paragraph (1) of the Companies Act.
 - (2) The Company shall notify the bond administrator without delay if having submitted an annual securities report, quarterly securities report, extraordinary report or amendment report as well as any appendices in accordance with the Financial Instruments and Exchange Act, a written confirmation provided for in Article 24-4-2 of said Act and an internal control report provided for in Article 24-4-4 of same to the Director-General of the Kanto Local Finance Bureau; provided, however, that in the event the bond administrator requests for the submission of duplicate copies of the above, the Company shall submit same to the bond administrator.
8. Authority of the bond administrator in objection procedures for creditors
- The bond administrator shall, irrespective of the provisions of the main text of Article 740, paragraph (2) of the Companies Act, refrain from raising objections on behalf of bondholders with respect to filings of objections as per paragraph (1) of said Article without a resolution of the bondholders' meeting.
9. Bondholders' meeting
- (1) The bondholders' meeting shall be composed of holders of the same class of bonds (as prescribed in Article 681, item (i) of the Companies Act) as the Bonds (hereinafter, the "Bonds of This Class"). The Company or the bond administrator shall convene said meeting by giving a public notice up to three weeks prior to the date thereof on the details on the convocation as well as the items prescribed in Article 719 of the Companies Act.
 - (2) The bondholders' meeting of holders of the Bonds of This Class shall take place in Tokyo.
 - (3) A bondholder who own one-tenth or more of the total amount of the Bonds of This Class (excluding the amount already redeemed; the total amount of the bonds held by the Company is not factored into the calculation) may request for the convocation of the bondholders' meeting by presenting to the bond administrator the documentation concerning the Bonds of This Class as prescribed in Article 86, paragraphs (1) and (3) of the Transfer Act and submitting to the Company or the bond administrator a document describing the purpose(s) for the bondholders' meeting and the reason(s) for its convocation.
10. Method of public notice
- Any notices to bondholders concerning the Bonds shall be effected by the electronic publication method prescribed in the Articles of Incorporation of the Company, unless otherwise stipulated in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the Articles of Incorporation and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications). Also, any notices by the bond administrator shall be effected by the electronic publication method prescribed in the articles of incorporation of the bond administrator in addition to a method prescribed in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the articles of incorporation of the bond administrator and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications).
11. Payment of principal and interest
- The principal and interest of the Bonds shall be paid in accordance with the Transfer Act and the business regulations of the book-entry transfer institution provided separately in the "book-entry transfer institution" field as well as other rules.
12. Issuing and paying agents
- The tasks of the issuing and paying agents for the Bonds as per the business regulations established by the book-entry transfer institution provided separately in the "book-entry transfer institution" field shall be effected by Mizuho Bank, Ltd.

6. Underwriting of the Bonds and retention of management of the Bonds (twenty-year bonds):

(1) Underwriting of the Bonds

Underwriter	Address	Amount (Millions of yen)	Conditions
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	3,500	1. The underwriters shall jointly and severally underwrite the full amount of the Bonds as well as handle the public offering. Should the amount of the offering not cover the full amount thereof, same shall underwrite the balance. 2. The underwriting fee for the Bonds shall be ¥0.40 per face value of ¥100.
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	3,500	
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	2,000	
Nomura Securities Co., Ltd.	9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	500	
Daiwa Securities Co. Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	500	
Total	–	10,000	–

(2) Retention for management of the Bonds

Bond administrator	Address	Conditions
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo	The fee for administering the Bonds paid to the bond administrator shall be ¥120 thousand per year during the term of the Bonds.

7. Use of net proceeds from the new issuance:

(1) The amount of net proceeds from the new issuance of the Bonds

(Millions of yen)

Total payment	Estimated issuance cost	Estimated net proceeds
100,000	270	99,730

Note: The above amounts are the sum of those for the Twelfth Series Straight Bonds with General Mortgage, the Thirteenth Series Straight Bonds with General Mortgage and the Fourteenth Series Straight Bonds with General Mortgage.

(2) Use of net proceeds

All of the above estimated net proceeds of ¥99,730 million is to be used as funds for the repayment of short-term loans by the end of September 2018.

II. Terms and Conditions of Offering for Sale

No items to report

III. Special Matters to Be Described in Case of Third-Party Allotment

No items to report

IV. Other Matters to Be Described

No items to report

B. INFORMATION ON TAKEOVER BIDS

No items to report

C. INFORMATION FOR REFERENCE

I. Documents for Reference

As for matters such as the outline of the Company and outline of business, etc. provided for in Article 5, paragraph (1), item (ii) of the Financial Instruments and Exchange Act, please refer to the following documents.

1. Annual Securities Report and Appendices

Business year: 33rd term (from January 1, 2017 to December 31, 2017): Filed to Director-General of the Kanto Local Finance Bureau on March 27, 2018

2. Quarterly or Semiannual Securities Report

First quarter of 34th term (from January 1, 2018 to March 31, 2018): Filed to Director-General of the Kanto Local Finance Bureau on May 2, 2018

3. Quarterly or Semiannual Securities Report

Second quarter of 34th term (from April 1, 2018 to June 30, 2018): Filed to Director-General of the Kanto Local Finance Bureau on August 2, 2018

4. Extraordinary Report

Between the filing date of the Annual Securities Report listed in “1” above and the filing date hereof (September 4, 2018), Extraordinary Report pursuant to Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. was filed to Director-General of the Kanto Local Finance Bureau on March 28, 2018.

5. Extraordinary Report

Between the filing date of the Annual Securities Report listed in “1” above and the filing date hereof (September 4, 2018), Extraordinary Report pursuant to Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ii)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. was filed to Director-General of the Kanto Local Finance Bureau on June 15, 2018.

6. Amendment Report

Amendment Report (amendment report of the Annual Securities Report listed in “1” above) was filed to Director-General of the Kanto Local Finance Bureau on April 24, 2018.

7. Amendment Report

Amendment Report (amendment report of the Extraordinary Report listed in “5” above) was filed to Director-General of the Kanto Local Finance Bureau on July 3, 2018.

II. Supplemental Information to the Documents for Reference

With regard to the matters described in “Business and other risks” in the Annual Securities Report and Quarterly Securities Reports listed above as documents for reference (hereinafter, the “Annual Securities Report, etc.”), there have been no occurrence of new risks such as business risks or material changes between the filing dates of the said Annual Securities Report, etc. and the filing date hereof (September 4, 2018).

Moreover, there have been no changes made to the forward-looking statements included in the said Annual Securities Report, etc. or no additional information to be disclosed in relation to the forward-looking statements as of the filing date hereof (September 4, 2018). The said Annual Securities Report, etc. contains forward-looking statements. These statements appear in a number of places in the said Annual Securities Report, etc. and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. 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 we operate, 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 realized.

III. Places Where Copies of the Documents for Reference are Made Available for Public Inspection

Japan Tobacco Inc. Headquarters
(2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan)

Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

D. INFORMATION ON GUARANTEE COMPANIES, ETC.

No items to report