



Corporate Information

Diversity and Inclusion

JT Group believes that respecting diversity not only in terms of people's gender, age and nationality but also in terms of their backgrounds and values, including personality, experience and expertise, and finding value in differences will lead to our sustainable growth.

Accepting and respecting diversity

To enhance our business competitiveness and capability to respond to changes, we place emphasis on being an organization that creates value by taking advantage of diversity. To create an organization that takes advantage of diversity, we provide opportunities for employees to share and discuss diverse values and implement training programs for managers to learn about leadership that utilizes diverse personnel and changes in working style and lifestyle values.

Gender Diversity

In Japan, as part of the effort to promote diversity and inclusion, we are engaged in taking positive actions for female employees. We provide growth opportunities by introducing role models or networking opportunities. We also organize training programs and seminars as well as a better framework for balancing one's career and personal life. Moreover, we facilitate various training programs for managers in understanding ways of communication or, understanding different programs and schemes available in conjunction with one's life event. These initiatives are aimed at supporting a diverse range of career options, suitable to the individual female employees.

Corporate Governance

Decision-Making, Business Execution, Supervision

Corporate Governance at JT

We have enhanced our corporate governance, based on our belief that it is the means for conducting transparent, fair, timely and decisive decision-making for pursuing JT's management principle, the "4S model". Specifically the 4S model aims "to balance the interests of consumers, shareholders, employees and the wider society, and fulfill our responsibilities towards them, aiming to exceed their expectations."

We have set out the "JT Corporate Governance Policies" and continuously strive to make enhancements based on our belief that it will enable us to achieve mid- to long-term sustainable profit growth and increase corporate value, which will contribute to the development of our group's stakeholders and eventually the economic society as a whole.

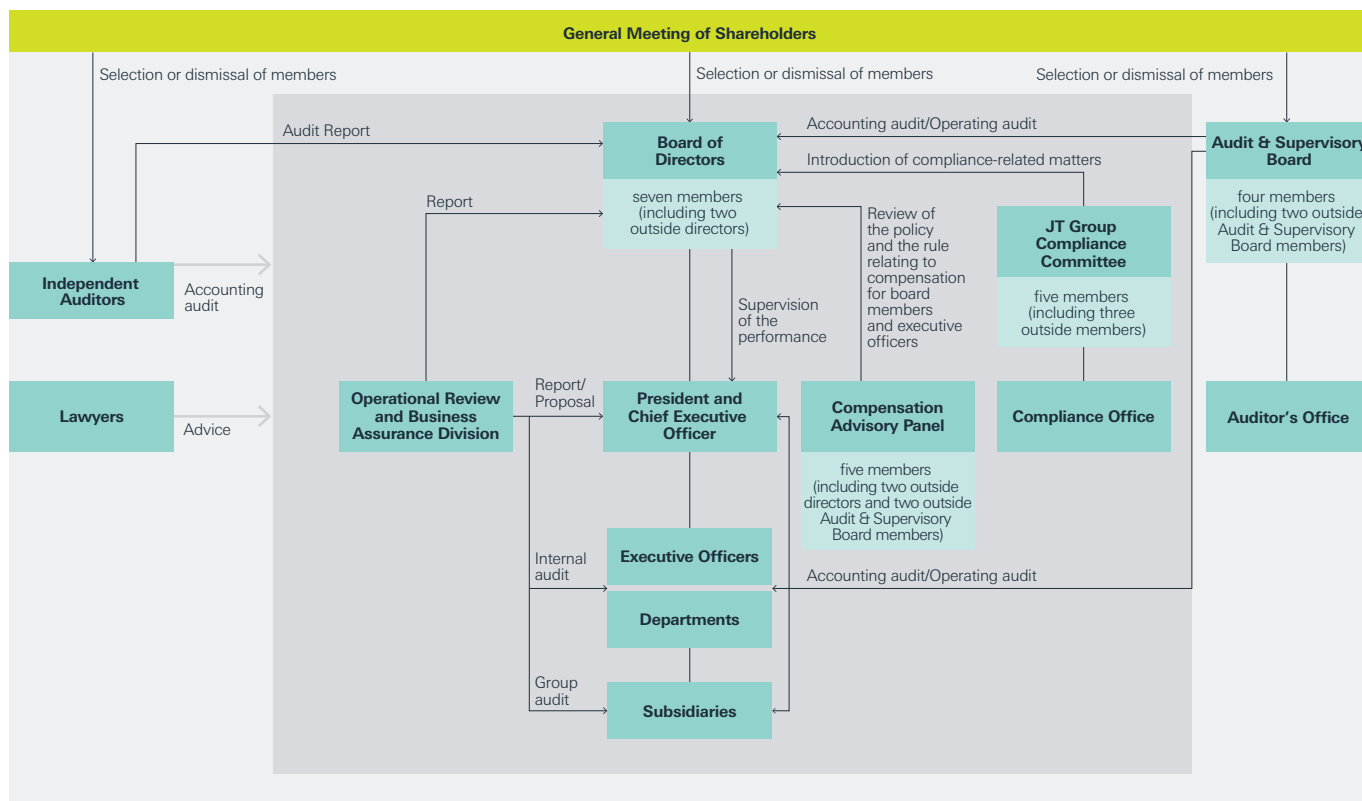
The "JT Corporate Governance Policies" is available at: https://www.jt.com/investors/at_a_glance/governance01/index.html

Initiatives to enhance corporate governance

Rigorous supervisory and advisory function	Quality and prompt decision-making	Efficient business execution
Set up the Compliance Committee FY2000	Reduced number of directors FY2000	Introduced executive officer system FY2001
Set up the Advisory Committee* FY2001	Promote the delegation of business execution to the executive officers FY2000, FY2008 and FY2011	
Set up the Compensation Advisory Panel FY2006	Invited outside directors FY2012	

* Abolition of the Advisory Committee on June 30, 2014.

Our corporate governance system



046	Corporate Governance
058	History of the JT Group
062	Regulation and Other Relevant Laws
065	Litigation
066	Members of the Board, Audit & Supervisory Board Members and Executive Officers
067	Members of the JTI Executive Committee
067	Corporate Data

General Meeting of Shareholders

A general meeting of shareholders resolves the matters stipulated by law and our Articles of Incorporation. Under the Companies Act, certain matters are required to be resolved at a shareholder meeting including, most notably, the appointment and dismissal of the directors, audit & supervisory board members and external accounting auditors, dividend amount, loss compensation, as well as change in the Articles of Incorporation. Our Articles of Incorporation do not stipulate any additional matter to be resolved at our shareholders' meeting other than matters legally required. The Annual General Shareholders' Meeting is held in March, and a special meeting of shareholders shall be called by the Board of Directors, as necessary. The President chairs the shareholders' meetings.

Within the extent as permitted by law, requirements for resolutions at our shareholders' meeting were lowered by amending our Articles of Incorporation. A resolution at a general meeting of shareholders can be adopted by a majority of the voting rights present or represented at the meeting. A resolution for the appointment of the Company's director and audit & supervisory board members additionally require a quorum, which is one-third of the total number of voting rights. A special resolution as stipulated under Section 2, Article 309 of the Companies Act, such as amendment to the Articles of Incorporation, requires the quorum of one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights present or represented at the meeting. Certain matters resolved at our shareholders' meetings need further approval by the Minister of Finance in Japan.

The Japan Tobacco Inc. Act

JT was established pursuant to the Japan Tobacco, Inc. Act ("the JT Act") for the purpose of managing businesses related to the manufacturing, sale and imports of tobacco products. The JT Act provides that the Government of Japan must continue to hold over one-third of all of the issued shares except for the class shares, which have no voting right against all matters that can be resolved at our shareholders' meeting. The JT Act also states that the issuance of new shares and stock acquisition rights requires the approval of the Minister of Finance. In the case of a share-for-share exchange, the same approval is required for issuance of new shares, stock acquisition rights and bonds with stock acquisition rights. Under the JT Act, subject to the approval by the Minister of Finance, JT is allowed to engage in businesses other than manufacturing, sales and imports of tobacco products or tobacco-related business, provided that our engagement in such businesses serves the purpose of the Company. JT is also required to obtain approval from the Minister of Finance for certain matters, including the appointment or dismissal of directors and audit & supervisory board members as well as amendment to our Articles of Incorporation, distribution of surplus (excluding loss compensation), merger, corporate split, and dissolution. In addition, within three months after the end of each fiscal year, we are required to issue a statement of financial position, a statement of income, and a business report to the Minister of Finance.

The supplementary provisions of the Reconstruction Financing Act*, which came into effect on December 2, 2011 states that the Government shall study by the year ending March 31, 2023 the possibility of full disposal of government-owned JT shares by reassessing the Government's holding in JT shares considering the Government's involvement in the tobacco-related industries based on the Tobacco Business Act.

* Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake.

Decision-Making, Business Execution, Supervision *continued*

The Board of Directors

The Board of Directors assumes responsibility in making decisions for important issues including the Group strategy as well as supervising all the activities of the Group. In view of the point that the Board of Directors determines Company-wide management strategy and important matters and effectively assumes roles and responsibilities as the body exercising supervision over all business activities, the concept concerning the composition of the Board of Directors shall be set forth as follows:

- The number of Members of the Board in the Board of Directors shall be fifteen (15) or less, within necessary and appropriate scope, composed of diverse people with a high-integrity sense of ethics as professionals, knowledge, experience and skills.
- JT shall appoint two (2) or more independent outside Members of the Board with qualities that will contribute to its sustainable profit growth and increase of corporate value in the mid- to long-term from the viewpoint of strengthening supervisory functions and transparency of business.

A board meeting, in principle, is held every month and a special board meeting may be called, as necessary. The Board of Directors decides those matters required to be resolved by the Board of Directors under the Companies Act, such as important business plans, disposal or acquisition of important assets, significant amount of borrowings, conclusion of important agreements. For the purpose of supervising the Company's activities, the Board of Directors requires directors to deliver a report on the progress of operations at least on a quarterly basis. In year ended December 2015, we had 18 board meetings to discuss important issues including the management plan.

Members

– 7 (including two independent outside directors)

The directors marked with * are also the executive officers.



Yasutake Tango Chairman of the Board

Date of birth: March 21, 1951

Term of office: 2 years since March 2016

Number of shares held: 1,700

April 1974

Entered Ministry of Finance

October 2006

Director-General of the Financial Bureau

July 2007

Deputy Vice Minister

July 2008

Director-General of the Budget Bureau

July 2009

Administrative Vice Minister

July 2010

Retired from the office of Administrative Vice Minister

December 2010

Corporate Auditor, The Yomiuri Shimbun Holdings

December 2012

Special Advisor to the Cabinet

April 2014

Retired from Special Advisor to the Cabinet

June 2014

Chairman of the Board (Current Position)

Significant Concurrent Positions outside the Company

Outside Director, The Ogaki Kyoritsu Bank, Ltd.



Mitsuomi Koizumi*
**President, Chief Executive Officer
 and Representative Director**

Date of birth: April 15, 1957
 Term of office: 2 years since
 March 2016
 Number of shares held: 26,900

April 1981

Joined the Company (Japan Tobacco and Salt
 Public Corporation)

June 2001

Vice President of Corporate Planning Division

June 2003

Senior Vice President, and Head of Human
 Resources and Labor Relations Group

June 2004

Senior Vice President, and Vice President of
 Tobacco Business Planning Division, Tobacco
 Business Headquarters

June 2006

Executive Vice President, and Vice President of
 Tobacco Business Planning Division, Tobacco
 Business Headquarters

June 2007

Member of the Board, Executive Vice President,
 and Head of Marketing & Sales General Division,
 Tobacco Business Headquarters

July 2007

Member of the Board, Executive Vice President,
 and Chief Marketing & Sales Officer, Tobacco
 Business Headquarters

June 2009

Representative Director and Executive
 Deputy President

June 2012

President, Chief Executive Officer and
 Representative Director (Current Position)



Yasushi Shingai*
**Executive Vice President
 and Representative Director**

Date of birth: January 11, 1956
 Term of office: 2 years since
 March 2016
 Number of shares held: 25,300

April 1980

Joined the Company (Japan Tobacco and Salt
 Public Corporation)

July 2001

Vice President of Financial Planning Division

June 2004

Senior Vice President, Head of Finance Group

July 2004

Senior Vice President, Chief Financial Officer

June 2005

Member of the Board, Senior Vice President, and
 Chief Financial Officer

June 2006

Member of the Board, Executive Vice President, JT
 International S.A.

June 2011

Executive Vice President and Representative
 Director (Current Position)

**Significant Concurrent Positions outside
 the Company**

Outside Director, Recruit Holdings Co., Ltd.



Mutsuo Iwai*
**Executive Vice President
 and Representative Director**

Date of birth: October 29, 1960
 Term of office: 2 years since
 March 2016
 Number of share held: 19,800

April 1983

Joined the Company (Japan Tobacco and Salt
 Public Corporation)

June 2003

Vice President of Corporate Planning Division

July 2004

Vice President of Corporate Strategy Division

June 2005

Senior Vice President, and Vice President of Food
 Business Division, Food Business

June 2006

Member of the Board, Executive Vice President,
 and President, Food Business

June 2008

Executive Vice President, and Chief Strategy Officer

June 2010

Member of the Board, Senior Vice President,
 and Chief Strategy Officer and Assistant to CEO
 in Food Business

June 2011

Member of the Board,
 Executive Vice President, JT International S.A.

June 2013

Senior Executive Vice President, and Chief
 Strategy Officer

January 2016

Senior Executive Vice President, and President,
 Tobacco Business Headquarters

March 2016

Executive Vice President and Representative
 Director (Current Position)

**Significant Concurrent Positions outside
 the Company**

Chairman, JT International Group Holding B.V.

Decision-Making, Business Execution, Supervision *continued*



Hideki Miyazaki*
Executive Vice President, Member of the Board

Date of birth: January 22, 1958
Term of office: 2 years since March 2016
Number of shares held: 14,300

April 1980
Joined Nomura Securities Co., Ltd.

July 2005
Senior Manager of Accounting Division of the Company

January 2006
Deputy Chief Financial Officer

June 2008
Senior Vice President, and Chief Financial Officer

June 2010
Executive Vice President and Chief Financial Officer

June 2012
Executive Vice President, Member of the Board (Current Position)



Motoyuki Oka
Member of the Board (Outside director)

Date of birth: September 15, 1943
Term of office: 2 years since March 2016
Number of shares held: 0

April 1966
Joined Sumitomo Corporation

June 1994
Director, Sumitomo Corporation

April 1998
Managing Director, Sumitomo Corporation

April 2001
Senior Managing Director, Sumitomo Corporation

June 2001
President and CEO, Sumitomo Corporation

June 2007
Chairman of the Board of Directors, Sumitomo Corporation

June 2012
Advisor, Sumitomo Corporation (Current Position)
Outside Director of the Company (Current Position)

Significant Concurrent Positions outside the Company
Outside Director, NEC Corporation



Main Kohda
Member of the Board (Outside director)

Date of birth: April 25, 1951
Term of office: 2 years since March 2016
Number of shares held: 0

September 1995
Started independently as Novelist (Current Position)

January 2003
Member of Financial System Council, Ministry of Finance Japan

April 2004
Visiting professor, Faculty of Economics, Shiga University

March 2005
Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism

November 2006
Member of the Tax Commission, Cabinet Office, Government of Japan

June 2010
Member of the Board of Governors, Japan Broadcasting Corporation

June 2012
Outside Director of the Company (Current Position)

Significant Concurrent Positions outside the Company
Novelist
Outside Director, LIXIL Group Corporation

The directors marked with * are also the executive officers.

The Audit & Supervisory Board

Entrusted by shareholders and ensured of its autonomy, the Audit & Supervisory Board conducts accounting audits as well as operating audits. Currently, we have four audit & supervisory board members including two independent outside audit & supervisory board members. Collectively, they have experience in management, legal, finance and accounting among other areas. Audit & supervisory board members have various statutory rights in order to accomplish their roles and responsibilities, including making requests to deliver reports to the directors, executive officers and employees, issuing an injunction to prevent illegal activities by directors, and representing the Company in case of litigation between any director and the Company. In addition, the Audit & Supervisory Board has a right to dismiss the auditing firm which conducts accounting audit. The Audit & supervisory board members' report containing the results of both the accounting and operating audits is submitted to the annual general meeting of shareholders.

If directors and executive officers find any issue that may cause a substantial damage to the Company, they are obliged to report it to the Audit & Supervisory Board, along with other relevant matters that could affect the Company. Audit & supervisory board members are authorized to attend the meetings of the Board of Directors and other important meetings. Our directors and executive officers respond in a prompt and appropriate manner, when requested by audit & supervisory board members to deliver documents for their inspection, to arrange field audits and to submit reports. The Operational Review and Business Assurance Division, which conducts internal audits, as well as the Compliance Office, exchanges necessary information and works together with audit & supervisory board members.

Members

– 4 (including two independent outside audit & supervisory board members)



Futoshi Nakamura

Standing Audit & Supervisory Board Members

Date of birth: November 23, 1957

Term of office: 4 years since March 2015

Number of shares held: 4,800

April 1981

Joined the Company (Japan Tobacco and Salt Public Corporation)

July 2004

Head of Procurement Planning Division

September 2005

Senior Manager of Operational Review and Business Assurance Division JT International Holding B.V. Vice President

July 2009

Senior Manager of Accounting Division

July 2010

Head of Operational Review and Business Assurance Division

June 2012

Standing Audit & Supervisory Board Members, the Company (Current Position)

Decision-Making, Business Execution, Supervision *continued*



Tomotaka Kojima
Standing Audit & Supervisory Board Members

Date of birth: December 19, 1953
 Term of office: 4 years since March 2015
 Number of shares held: 0

April 1976
 Entered Ministry of Finance

July 2000
 Director-General of the Fukuoka Local Finance Branch Bureau

July 2002
 Deputy Head of Finance Group of the Company

July 2004
 Deputy Director-General of Employee Welfare Bureau, General Secretariat, National Personnel Authority

April 2007
 Deputy Director-General of General Secretariat, National Personnel Authority

January 2008
 Director General of Equity and Investigation Bureau, General Secretariat of National Personnel Authority

August 2009
 Commissioner, National Hospital Organization

November 2010
 Executive Secretary, Japan Association of Corporate Directors

June 2013
 Standing Audit & Supervisory Board Members, the Company (Current Position)



Yoshinori Imai
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)

Date of birth: December 3, 1944
 Term of office: 4 years since March 2015
 Number of shares held: 700

April 1968
 Joined Japan Broadcasting Corporation

June 1995
 Bureau Chief of General Bureau for Europe, Japan Broadcasting Corporation

May 2000
 Director General, Planning & Broadcasting Department, Japan Broadcasting Corporation

June 2003
 Executive Editor and Programme Host, Japan Broadcasting Corporation

January 2008
 Executive Vice President, Japan Broadcasting Corporation

January 2011
 Retired from Executive Vice President, Japan Broadcasting Corporation

April 2011
 Visiting Professor, Ritsumeikan University (Current Position)

June 2011
 Audit & Supervisory Board Members, the Company (Current Position)



Hiroshi Obayashi
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)

Date of birth: June 17, 1947
 Term of office: 4 years since March 2015
 Number of shares held: 0

April 1970
 Judicial Apprentice

April 1972
 Appointed as Public Prosecutor

May 2001
 Director-General of the Rehabilitation Bureau, Ministry of Justice

January 2002
 Deputy Vice-Minister of Justice, Ministry of Justice

June 2004
 Director-General of the Criminal Affairs Bureau, Ministry of Justice

June 2006
 Vice-Minister of Justice, Ministry of Justice

July 2007
 Superintending Prosecutor, Sapporo High Public Prosecutors' Office

July 2008
 Superintending Prosecutor, Tokyo High Public Prosecutors' Office

June 2010
 Prosecutor-General

December 2010
 Retired from the office of Prosecutor-General

March 2011
 Registered as Attorney at Law

March 2015
 Audit & Supervisory Board Members, the Company (Current Position)

Significant Concurrent Positions outside the Company
 Attorney at Law, Obayashi Law Office
 Outside Audit & Supervisory Board Member, Daiwa Securities Co., Ltd.
 Outside Director, Mitsubishi Electric Corporation
 Outside Audit & Supervisory Board Member, NIPPON STEEL & SUMITOMO METAL CORPORATION

Independence of Outside Directors and Outside Audit & Supervisory Board Members

JT reports to the securities exchanges on which it is listed that the two outside directors and two outside audit & supervisory board members are designated as independent executives. We have a criteria list to assess the independence of an executive. Based on the criteria, the independence of the four executives has been confirmed. Motoyuki Oka, Main Kohda, Yoshinori Imai and Hiroshi Obayashi, who are outside directors and outside audit & supervisory board members, serve as members of the Compensation Advisory Panel.

Criteria list for independence of an executive

A person who fits any of the following descriptions is not designated as an independent executive:

1. A person who belongs or belonged to JT or an associate or sister company of JT
2. A person who belongs to a company or any other form of organization of which JT is a major shareholder
3. A person who is a major shareholder of JT or who belongs to a company or any other form of organization which is a major shareholder of JT
4. A person who is a major supplier or customer of JT (if the supplier or customer is a company or any other form of organization, a person who belongs thereto)
5. A major creditor of JT including a major loan lender (if the creditor is a company or any other form of organization, a person who belongs thereto)
6. A certified public accountant who serves as an accounting auditor or an audit advisor of JT, or a person who belongs to an auditing firm which serves as an accounting auditor or an audit advisor of JT
7. A person who receives a large amount of fees from JT in exchange for providing professional services for legal, financial and tax affairs or business consulting services (if the recipient of such fee is a company or any other form of organization, a person who belongs thereto)
8. A person who receives a large amount of donation from JT (if the recipient of such donation is a company or any other form of organization, a person who belongs thereto)
9. A person who has fit any of the descriptions in 2 to 8 above in the recent past
10. A close relative of a person who fits any of the following descriptions:
 - (a) A person who fits any of the descriptions in 2 to 8 above (if such descriptions apply to a company or any other form of organization, a person who performs important duties thereof)
 - (b) A director, audit & supervisory board member, audit advisor, executive officer or employee of JT or an associate or sister company of JT
 - (c) A person who has fit the descriptions in (a) or (b) in the recent past

Support for Outside Directors and Outside Audit & Supervisory Board Members

We provide supports to outside directors and outside audit & supervisory board members. The Corporate Strategy Division or Secretary Division explains the agendas for board meetings in advance, submits requested documents and delivers necessary information to outside directors for them to contribute to the quality of board discussion. As an independent body entrusted by shareholders, the Audit & Supervisory Board is expected to monitor the performance of the directors and executive officers, with an aim to underpin the Company's healthy and sustainable growth as well as increase its credibility. For outside audit & supervisory board members to perform their expected roles, we are supporting them by making necessary information available and allocating adequate human resources to the Auditor Office which assists audit & supervisory board members.

Executive Officer System

JT employs the Executive Officer System to ensure effective and efficient management by promptly responding to the changing environment, and thus aims to increase its company value. Executive officers are appointed by the Board of Directors. At the same time, the board assigns certain responsibilities and delegates relevant authorities to the executive officers in accordance with the Rules Defining the Extent of Responsibility and Authority. In addition, we have the structure for quick decision-making and high-quality implementation of business about plan and strategy relevant to all business execution except the matters which are submitted to the Board of Directors. This structure has been established by an articulate decision-making process based on the Rules Defining the Extent of Responsibility and Authority.

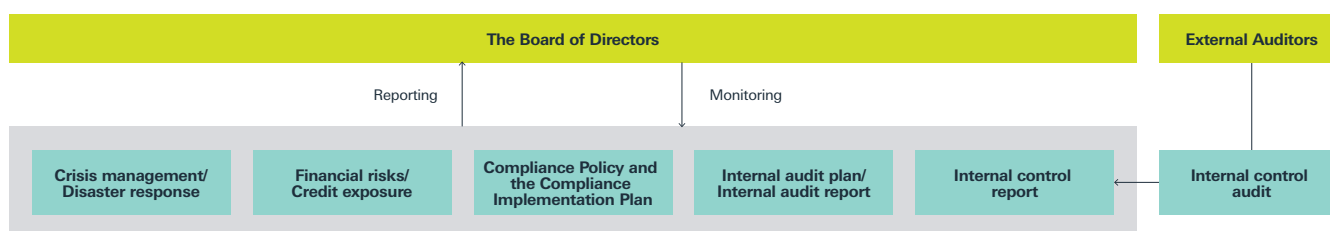
Please refer to page 66 for the list of Executive Officers.

Internal Control System & Risk Management System

Overview

JT devotes its efforts to ensure appropriate business operation by reinforcing internal control such as compliance, internal audit and risk management among other matters. The developments of these internal control focuses are reported regularly to the Board of Directors. In addition, we have the Auditor Office, a department dedicated to support the Audit & Supervisory Board, for our audit & supervisory board members to effectively perform their duties. Collaboration among the Group companies is encouraged to strengthen the framework for compliance (which includes the internal consultation and reporting), reliable financial reporting, internal audit and risk management.

Internal control framework



Compliance

A Code of Conduct has been created based on our internal guidelines approved by the Board of Directors. Under the Code of Conduct, all directors and employees are expected to fully comply with applicable laws, our Articles of Incorporation, social norms and other compliance standards. In addition, the Board of Directors has established a fair and effective compliance framework as described below.

- Set up the JT Group Compliance Committee, which reviews and discusses compliance related matters, then directly reports to the Board of Directors
- Assign responsibility for compliance to a Director
- Assign responsibility for compliance to an Executive Officer without directorship
- Assess and approve the Compliance Policy as well as the Compliance Implementation Plan
- Review the implemented compliance initiatives.

The Compliance Office is in charge of improving the compliance framework, while identifying any issue in the framework. The Compliance Office also promotes compliance by offering training programs to Directors and employees.

The JT Group has both internal and external hotlines through which employees may consult or report any misconduct they suspect to be taking place. The Compliance Office is responsible for investigating consulted or reported cases and implementing Group-wide measures to prevent the recurrence of misconduct after discussing it with the divisions concerned. Material cases are reviewed by the JT Group Compliance Committee, and further reported to the Board of Directors as necessary.

The JT Group Compliance Committee is headed by the Chairman, and external members comprise the majority. The JT Group Compliance Committee met three times in the year ended December 31, 2015, and discussed initiatives to strengthen compliance throughout the Group among other matters.

Reliable financial reporting

In order to ensure the reliability of its financial reporting, JT has introduced a relevant internal control system in accordance with the Financial Instruments and Exchange Act and other standards. In addition, a dedicated division has been created which reviews the internal control system and reports the result of the assessment. Reliability of our financial reporting is confirmed by the external accounting auditor who makes an assessment of our internal control system based on the Internal Control Report prepared by us.

Risk management

Financial risk management

JT has put in place the internal guidelines for financial risk management. The executive officer in charge updates the status of financial risks together with the countermeasures against these risks. Meanwhile, these risks and the countermeasures against them are reported to CEO and the Board of Directors on a quarterly basis.

Crisis management and disaster control

In order to deal with possible crises or disasters, JT has produced a manual for crisis management and disaster control so that we can make a proper initial response. In the event of a crisis or a disaster, a project team led by the President is immediately assembled. In the project team, the Corporate Strategy Division assumes the key role to support the President. Under the leadership of the President, we respond promptly and properly, ensuring close cooperation across the organization. Crisis or disaster incidents shall be reported to the Board of Directors.

Management of other risks

In accordance with the Rules Defining the Extent of Responsibility and Authority, management of other risks is delegated to relevant divisions, which identify and monitor the risks in their areas of responsibility. Significant risks are reported to CEO, together with the request for approval to implement countermeasures against them, where necessary.

Please refer to page 40 for our risk factors.

Internal audit system

JT has an Operational Review and Business Assurance Division, which is thoroughly independent of other JT Group divisions and organizations engaging in operations. Under such a capacity, it conducts internal audits and directly reports to the President. The Operational Review and Business Assurance Division has unlimited access to all activities, records and employees Group-wide to accomplish its roles and responsibilities. The head of the division is required to report to the President the results of internal audits along with their analysis and assessment, and also reports to the Board of Directors. The head of the division has the right to contact the management of JT and the Group companies regularly and as frequently as needed.

Executive Remuneration

Overview

Remuneration for our directors is determined by resolution at the Board of Directors, taking into account discussion at the Compensation Advisory Panel. Remuneration for our audit & supervisory board members is determined through the deliberations of the Audit & Supervisory Board. The aggregate remuneration of directors and audit & supervisory board members cannot exceed the respective ceilings approved at a general meeting of shareholders. In determining remuneration, we refer to research management remuneration conducted by a third party, and benchmark Japanese manufacturing companies operating globally with a scale or profit comparable with ours.

The Compensation Advisory Panel

The Compensation Advisory Panel has been established as an advisory body to the Board of Directors with an aim to increase the objectiveness and transparency of our executive remuneration. The Compensation Advisory Panel comprises the Chairman, two outside directors and two outside audit & supervisory board members. Upon request, the Panel reviews and provides advice on the policy, framework and calculation method for remuneration of our directors and executive officers. It also monitors whether our executive remuneration level is reasonable. During the past fiscal year, the Compensation Advisory Panel met twice to discuss the level of remuneration among other matters.

Based on the recommendation by the Compensation Advisory Panel, the key policy for our executive remuneration is as follows:

- Set the remuneration at an adequate level to retain personnel with superior capabilities
- Link the remuneration to company performance so as to motivate executives to achieve their performance targets
- Link the remuneration to company value in the mid- to long-term
- Ensure transparency by implementing an objective and quantitative framework.

Structure of executive remuneration

In accordance with the above policy, remuneration for our executive comprises (1) “base salary” paid monthly, (2) “executive bonus” linked to our business performance in the relevant year, and (3) “stock option grants”, the value of which is linked to our mid- to long-term company value. In 2007, JT introduced a stock option program as an incentive linked to the mid- to long-term company value. The Companies Act requires a special resolution at a shareholders’ meeting if stock options are granted under particularly advantageous terms or at particularly advantageous prices. This is not the case with our stock option program, as our stock options are compensation for the executives who perform their duties, and the options are granted in exchange for certain considerations.

Remuneration for the directors and audit & supervisory board members are structured as follows:

Remuneration for the directors who also serve as executive officers comprises “base salary”, “executive bonus” and “stock option grants”. “Executive bonus” is included, as they are responsible for the achievement of assigned annual targets through their day-to-day management.

As for the president or each executive deputy president, the combined amount of “executive bonus” at a 100% grant basis and “stock option grants” is targeted at slightly less than 80% of respective annual base salary. The same scheme is introduced to set “executive bonus” and “stock option grants” for other directors, while the combined amount is targeting approximately 70% of respective annual base salary. Excluding outside directors, remuneration for the directors not serving as executive officers comprises “base salary” and “stock option grants”, as they focus on decision-making on the Group strategies in addition to supervision of business and corporate activities. Remuneration for outside directors consists solely of “base salary” and does not include performance linked compensation from the perspective of sustaining their independence.

Remuneration for the audit & supervisory board members is also composed of “base salary” alone, in light of their key responsibility to conduct audits.

The maximum amount of the annual aggregate remuneration excluding “stock option grants” for the directors and audit & supervisory board members was approved at our 22nd Annual General Shareholders’ Meeting in June 2007. The maximum remuneration for all the directors combined is ¥870 million and ¥190 million for all the audit & supervisory board members combined. In addition, the ceiling for annual “stock option grants” for the directors was approved at the same shareholders’ meeting. The ceiling is 800 options in number and ¥200 million in value. The number of the stock options granted to the directors and the executive officers who are not directors is decided each year by the Board of Directors.

The remuneration payments to the directors and audit & supervisory board members for the year ended December 2015 are as follows:

Category	Total remuneration and other payments (million yen)	Total amount of remuneration and other payments by type (million yen)			Number to be paid (people)
		Basic remuneration	Director's bonus ¹	Stock option grants ²	
Directors (excluding Outside Directors)	690	327	189	174	6
Audit & Supervisory Board member (excluding Outside Audit & Supervisory Board members)	72	72	–	–	2
Outside Directors and Outside Audit & Supervisory Board members	54	54	–	–	5
Total	816	453	189	174	13

1. Amounts to be paid.

2. Total amounts granted for the year ended December 2015.

The remuneration payments to the directors and the audit & supervisory board members whose total remuneration exceeds ¥100 million for the year ended December 2015 are as follows:

Name	Category	Company	Amount of consolidated remuneration and other payments by type (million yen)			Total (million yen)
			Basic remuneration	Director's bonus	Stock option grants	
Mitsuomi Koizumi	Representative Director	JT	81	65	43	190
Yasushi Shingai	Representative Director	JT	48	37	26	110
Noriaki Okubo	Representative Director	JT	45	31	24	101

The stock options granted for the year ended December 2015 are as follows:

Resolution date	July 17, 2015
Positions and number of people grants	Directors (excluding outside Directors): six persons Executive officers (excluding persons serving as Directors): 18 persons
Number of shares	49,000 shares to Directors (excluding outside Directors) 66,200 shares to Executive officers (excluding persons serving as Directors) Total 115,200 shares (200 shares per stock acquisition right)

History of the JT Group

Before 1985

JT's history in Japan dates back to 1898, when the Government formed a monopoly bureau to operate the exclusive sale of domestic tobacco leaf.

The JT Group's overseas history began with the founding of Austria Tabak in 1784. Roughly 70 years later, Tom Gallaher started out in business in Northern Ireland, laying the foundations for the Gallaher Group. Meanwhile, R.J. Reynolds Tobacco Co. (RJR), which would subsequently create the Camel and Winston brands, was established in 1874 in the U.S. In this manner, the current JT Group can trace its origins to many different countries and regions such as Austria, Northern Ireland, the U.S. and Japan. The JT Group has a long history and extensive experience in the tobacco business.

History in Japan from the early 20th century to 1984, when the Japan Tobacco Inc. Act was enacted.

Our history in Japan dates back to 1898, when the Government formed a monopoly bureau to undertake the exclusive sale of domestic leaf tobacco. In the early 1900s, the Japanese government extended this monopoly to all tobacco products in Japan and to the domestic salt business. On June 1, 1949, the bureau was established and duly named the Japan Tobacco and Salt Public Corporation, or JTS. This corporation helped to ensure the stable supply of tobacco and secure fiscal revenues for the Government.

The growth in demand for cigarettes in Japan began to slow in the mid-1970s as a result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the domestic tobacco market opened up substantially to foreign suppliers, triggering competition between domestic and foreign tobacco products in Japan.

Foreign countries stepped up pressure on Japan to take further measures to open the market that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of Government-run public corporations, a Government panel was established in March 1981 to conduct research into the public corporation system. In its third report (July 30, 1982), the panel proposed drastic reform of the monopoly and public corporation systems. In response to this proposal, the Government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law to liberalize tobacco imports and establish a tobacco business law to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as a joint stock corporation so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Act, which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year. In April 1985, JT was founded as an entity that took over the whole of the business operations and assets of JTS.

JT is a joint stock corporation that was incorporated in April 1985 under the Commercial Code of Japan, pursuant to the Japan Tobacco Inc. Act, or the JT Act.

1784

Austria Tabak is founded by Emperor Joseph II.

1857

Tom Gallaher sets up his business in Londonderry, Northern Ireland.

1874

RJR is founded by Richard Joshua Reynolds in Winston, North Carolina.

1879

Sobranie is registered in London, to become one of the oldest cigarette brands in the world.

1891

The Moscow-based Ducat factory is founded.

1898

The Japanese Monopoly Bureau is established for the sale of domestic leaf tobacco.

1913

Camel is launched.

1931

Cellophane is introduced by RJR in order to preserve the freshness of tobacco.

1949

The Monopoly Bureau becomes the Japan Tobacco and Salt Public Corporation.

1954

Winston is launched.

1955

Benson & Hedges is acquired by Gallaher.

1956

Salem is launched.

1957

HOPE (10) is launched as Japan's first domestically produced filter cigarettes.

1964

Silk Cut is launched.

1968

Gallaher is acquired by the American Tobacco Company.

1969

Seven Stars is launched, featuring Japan's first domestically produced charcoal filter.

1977

Mild Seven is launched (Japan).

1981

Mild Seven is launched internationally.

1984

Japan Tobacco Inc. Act is enacted.

In and after 1985

The corporate history of JT is summarized in the table to the right. For the international tobacco business, the history before JT's acquisitions of RJR Nabisco's non-US tobacco operations and Gallaher is included.

The operating environment for JT changed drastically in just two years after the foundation of the Company, with the yen's strong appreciation following the Plaza Accord in 1985, a tobacco tax hike in 1986 and the abolition of tariffs on imported cigarettes in 1987. Amid the yen's upsurge, a price increase for JT products due to the tobacco tax hike, coupled with price cuts for imported cigarettes attributable to the tariff abolition, eliminated the price advantage of JT products over imported products, which had stood at around ¥60 to ¥80 when JT was founded in 1985. As a result, competition between JT and foreign tobacco makers intensified in the Japanese market, leading to a decline in JT's market share from 97.6% in fiscal 1985 to 90.2% in fiscal 1987.

To cope with the rapid deterioration of the operating environment, JT implemented rationalization measures to enhance its cost-competitiveness and pursued diversification while taking measures to strengthen its marketing capability. In the 1990s, JT's competition with foreign rivals in the Japanese market intensified further. Furthermore, overall cigarette demand in Japan peaked in the latter half of the 1990s due to a contraction of the adult population and growing concerns with health problems associated with smoking. Amid the increasingly difficult operating environment for the Japanese domestic tobacco business, JT took additional rationalization steps, pursued consolidation of operations in its areas of business diversification and expanded the international tobacco business, thereby strengthening its business foundation.

JT significantly strengthened the international tobacco business by acquiring RJR Nabisco's non-U.S. tobacco operations in 1999 and Gallaher in 2007. With its international sales volume exceeding its domestic sales volume, the JT Group continues to grow as a global tobacco company. The international tobacco business is the engine of the JT Group's profit growth through its comprehensive brand portfolio which includes Winston, Camel, Mild Seven – MEVIUS and LD as well as Benson & Hedges, Silk Cut, Sobranie and Glamour.

* Topics of RJR Nabisco's non-US operations before participating in the JT Group.

** Topics of Gallaher before participating in the JT Group.

1985

April

Japan Tobacco Inc. is established. (Japanese tobacco market opened to Foreign tobacco manufacturers).

The Business Development Division is established to promote new businesses.

The Business Development Division is later reorganized into operational divisions engaged in the food and pharmaceutical businesses, finishing in July 1990.

1987

April

Import tariffs on imported cigarettes are abolished.

1988

October

JT communication name is introduced.

1992

Acquisition of Manchester Tobacco Company Ltd. Acquisition of AS-Petro (Russia).*

1993

September

The Central Pharmaceutical Research Institute is established to enhance in-house research capabilities.

1994

October

Government releases first tranche of outstanding JT shares for initial public offering (394,276 shares offered at ¥1,438,000 apiece).

JT stock is listed on the first sections of stock exchanges in Tokyo, Osaka and Nagoya.

November

JT stock is listed on the stock exchanges in Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo. Acquisition of Yelets (Russia).*

1995

May

Head office is moved back to Minato-ku from Shinagawa-ku. Peter I is launched (Russia).*

1996

June

Government releases second tranche of outstanding JT shares (272,390 shares offered at ¥815,000 apiece).

Acquisition of Tanzanian tobacco production facility.*

1997

April

JT ends its salt monopoly business in line with abolition of the salt monopoly system.

The Tobacco Mutual Aid Pension scheme is integrated into the Employees' Pension scheme.

American Brands spins off Gallaher which becomes Gallaher Group Plc and is listed on the London and New York stock exchanges.**

1998

April

JT signs an agreement with Unimat Corporation (currently, Japan Beverage Holdings Inc.) on a tie-up regarding beverage business. JT later acquires a majority stake in Unimat.

December

JT acquires a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.

1999

May

JT acquires the non-U.S. tobacco business of RJR Nabisco Inc.

July

JT acquires the food business of Asahi Kasei Corporation, including Asahi Foods and seven other subsidiaries.

October

Under a business tie-up between JT and Torii Pharmaceutical Co., Ltd., the two companies' R&D operations related to medical pharmaceuticals are concentrated at JT, while their promotion operations are combined at Torii Pharmaceutical.

LD launched (Russia).**

2000

Acquisition of Liggett-Ducat (Russia).*

2001

Acquisition of Austria Tabak.**

2003

October

JT repurchases 45,800 of its own shares to increase its management options.

2004

June

Government releases third tranche of outstanding JT shares (289,334 shares offered at ¥843,000 apiece), reducing its stake in JT to the minimum level allowed under law.

November-March 2005

JT repurchases 38,184 of its own shares to increase its management options.

2005

April

JT terminates a licensing contract under which it had exclusive rights to produce and sell Marlboro brand products in Japan and use the Marlboro trademark in the country.

June

Acquisition of CRES Neva Ltd. (Russia). Glamour is launched (Russia, Ukraine, Kazakhstan).*

2006

April

JT implements a 5 for 1 stock split in order to expand the investor base, effective April 1, 2006.

May

Acquisition of AD Duvanska Industrija Senta in Serbia.

2007

April

JT acquires all outstanding shares of Gallaher Group Plc.

2008

January

JT acquires a majority stake in Katokichi Co., Ltd. through a tender offer.

April

JT acquires a majority stake in Fuji Foods Corporation.

July

JT concentrates its processed food operations, including frozen food and seasonings operations, at the Katokichi Group.

2009

May

JTI celebrates its 10th anniversary.

June

JTI Leaf Services (U.S.) LLC is established.

October

Acquisition of leaf suppliers Kannenberg & Cia. Ltda. (Brazil) and Kannenberg, Barker, Hail & Cotton Tabacos Ltda. (Brazil).

November

Acquisition of leaf suppliers Tribac Leaf Limited (UK).

2010

January

Katokichi Co., Ltd. is renamed TableMark Co., Ltd.

May

Smokeless tobacco product Zerostyle Mint is launched.

2011

March

JT repurchases 58,630 of its own shares, as part of its shareholder return measures.

November

Acquisition of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (South Sudan).

2012

July

For the purpose of enlarging Company's investor base, a 200 for 1 stock split is conducted. At the same time, JT adopts the share unit system, setting a share trading unit at 100 shares.

August

Acquisition of Gryson NV, a Belgium Fine Cut maker.

2013

February

The name change of Mild Seven to MEVIUS in Japan.

Government releases fourth tranche of outstanding JT shares (333,333,200 shares offered).

On February 27, JT repurchases 86,805,500 shares through ToSTNeT-3, including 80,071,400 shares from the Government.

Excluding the share repurchased by JT, 253,261,800 shares are offered by the Government in March.

March

Acquisition of Al Nakhla Tobacco Company S.A.E. and Al Nakhla Tobacco Company – Free Zone S.A.E., a leading Egyptian water-pipe company.

May

Launch of a novel anti-HIV drug "Stribild Combination Tablets" in Japan, containing our original compound (elvitegravir).

December

JT acquires a minority interest in Megapolis, the leading Russian distribution company.

2014

April

TableMark establishes a holding company.

October

Launch of "Cedatoren sublingual drop Japanese Cedar Pollen," a sublingual Immunotherapy Drug for Japanese Cedar Pollinosis.

November

Acquisition of e-cigarettes company Zandera Ltd. (UK).

2015

February-March

JT repurchases 26,896,200 shares as part of its shareholder return measures.

July

Acquisition of leading US e-cigarette company Logic.

Transfer shares of JT's subsidiaries conducting vending machine operation business and JT beverage brands "Roots" and "Momono Tennensui". Afterwards, JT withdrew from the manufacture and sale of JT beverage products in September and JT's beverage business division was abolished in December 2015.

August

Integration of "Cabin" and "Caster" with "Winston"

September

JT announced the acquisition of Natural American Spirit Business outside the United States and completed this acquisition in January 2016.

Regulation and Other Relevant Laws

Tobacco business

Regulation in the international markets

In international markets where JT Group's tobacco products are sold, World Health Organization (WHO) adopted the Framework Convention on Tobacco Control ("FCTC") at its 56th World Health Assembly held in May 2003. It came into force in February 2005 (Government of Japan accepted it in June 2004).

Since then, there has been a rising trend in regulations regarding sales promotions, packages and outer wrappers, marketing of tobacco products and smoking.

The purpose of the FCTC is to continuously and substantively control the proliferation of smoking. Its provisions include, among others, price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (such as protection from exposure to tobacco smoke, regulation of contents and emissions of tobacco products, regulation of disclosure of tobacco products, regulations on packaging and labeling of tobacco products, regulations on tobacco advertising, promotion and sponsorship, among others), and measures relating to the reduction of the supply of tobacco (such as prevention of illicit trade, prohibition of sale of tobacco products to minors, among others). In addition, descriptive expressions such as "mild" and "light" are stipulated by some provisions as numerous steps are being taken. Moreover, in November 2012, the protocol to eliminate illicit trade in tobacco products was adopted at the fifth session of the Conference of the Parties. As general obligation, signatories to the protocol are to formulate, adopt, periodically update and review strategies, plans and programs for tobacco regulation. However, the content, scope and method of specific controls undertaken in these nations are ultimately legislated by each respective nation.

Regulation by country or region

In May 2014, the 'EU Tobacco Product Directive (EU TPD)' revised from the earlier Directive promulgated in July 2001, entered into force. This revised Directive includes, among others, strengthening of packaging and labeling regulations, restrictions on the use of additives including menthol for cigarettes and fine cut, and regulations related to electronic cigarettes. All EU member states are required to establish their domestic laws, regulations and ordinances to conform the revised directive. This revised Directive will be

implemented (except some measures such as prohibiting menthol products) through legislation of each EU member state by May 2016. Manufacturing of products which do not comply with the revised directive will be prohibited from May 2016, and sale of such products prohibited from May 2017.

One of the most notable regulations adopted recently is the plain packaging legislation. In Australia, the very first plain packaging legislation was approved in 2011 and adopted in December 2012. Since then, plain packaging legislation has been passed in Ireland, and also in the UK, one of our key markets. In both countries, manufacturing of non-compliant products will be prohibited from May 2016 and sale of such products prohibited from May 2017. Furthermore, plain packaging legislation was approved in France in January 2016 and several other countries are considering similar legislation. In the UK, laws including "Restrictions on the in-store display of tobacco products" and "Ban on sale of tobacco products through vending machines" are already enforced.

In Russia, another of our key markets, legislation was passed in February 2013, which includes protection from exposure to tobacco smoke and other matters related to tobacco consumption. The legislation came into effect, starting from June 2013 and is being implemented in steps through up to 2017. It contains a number of provisions including display ban, restrictions on sales of tobacco products in certain retail stores, ban on advertising, sponsorship and promotions, introduction of minimal pricing and ban on smoking in public places.

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing and smoking, the JT Group expects regulations like the above and new regulations (including those of local governments) to spread across Japan and other countries where the group sells its products.

Regulation in Japan

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health.

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting July 2005, all tobacco products sold in Japan have been in conformity to the revised regulations. In addition, the Japanese Minister of Finance has indicated a “Guideline for Advertising of Tobacco Products” based on the Tobacco Business Act which, in March 2004, was revised with tougher language. The Tobacco Institute of Japan has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. All member companies, including JT, comply with these standards.

Recently in Japan from the perspective of passive smoking prevention, cases where smoking in public areas including restaurants and office buildings has been restricted by laws and regulations and the like are on the rise. We expect this trend to continue in the future.

Tobacco Business Act

Importers and wholesalers of tobacco products must register with the Minister of Finance and, retailers of tobacco products must obtain the license of the Minister of Finance. The retailers of tobacco products are required to sell the tobacco products manufactured by JT and imported tobacco products at the fixed retail price which is approved by the Minister of Finance. The Minister of Finance must approve the filed retail sales prices unless otherwise considered unfairly prejudicial to consumers. The Tobacco Business Act requires JT to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. JT must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When JT decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Deliberative Council (hatabako shingi kai), which consists of members appointed by JT with the approval of the Minister of Finance from among the representatives of domestic leaf tobacco growers and academic appointees. Much like many other agricultural products in Japan, production costs for domestically-grown leaf tobacco is higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former (before re-drying) is approximately three times that of the latter (after re-drying).

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on the tobacco product package was changed. In addition, the Ordinance stipulated that when wording like “mild” and “light” is used on the package, they must be accompanied by a warning that clarifies that such words do not mean that the risk to their health is lower than other tobacco products so as to prevent consumers from misunderstanding the relationship between the consumption of tobacco products and health. JT has been adhering to this rule since July 1, 2005.

Self-regulation on marketing

JT Global Marketing Principles

The JT Group complies with all regulation of respective countries in which we operate. At the same time, we pursue our business based on the ‘JT Global Marketing Principles (the Principles)’. The Principles place importance on responsible marketing of tobacco products and outline our thoughts on advertising and promotions or health warnings, among others. Moreover, we recognize that youth smoking prevention is an issue which must be addressed by society as a whole. Based on the Principle, we govern our business and marketing activities, while working with government and other relevant organizations to take steps towards preventing youth smoking.

For further details, please refer to the JT Group websites.

Pharmaceutical Business

The pharmaceutical industry operates in a highly regulated environment. In many countries, R&D, manufacturing and sales activities are strictly regulated. Moreover, in recent years, the approval process for new drugs has been tightening due to the increased requirements to promote public health and safety. Today, compared to the past, pharmaceutical companies are required to spend more time to examine pharmaceutical safety issues and conduct a greater number of clinical trials on subjects to collect more data on the efficacy of new pharmaceuticals. Consequently, clinical trials are growing in scale, cost and time.

In Japan, the marketing of pharmaceutical products is subject to the supervision of the Ministry of Health, Labor and Welfare, or MHLW, primarily under the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics, while part of its supervisory authority is undertaken by the relevant prefectural governor. Under the act, in order to conduct the marketing business of pharmaceuticals, a person is required to obtain from the relevant prefectural governor a renewable, generally five-year marketing business license. In addition, under the act, in order to market pharmaceuticals, it is necessary to obtain marketing approval from the MHLW for each kind of product.

The national health insurance system covers virtually the entire Japanese population. To sell a pharmaceutical product in Japan, a marketing business license holder of pharmaceutical products must first have a new pharmaceutical product listed on the National Health Insurance Pharmaceutical Price List for coverage under the national health insurance system. Generally, prices on the price list are subject to revision once every two years as part of the government's policy to control healthcare spending.

Processed Food Business

As a producer and seller of food products, the JT Group's processed food business is subject to regulations mainly under the Food Safety Basic Act, the Food Sanitation Act and the Food Labeling Act.

The Food Safety Basic Act requires food-related companies to take necessary measures to ensure food safety in each process of the supply chain, as well as to make efforts to provide accurate information about foods and food-related goods in an appropriate manner. The Food Sanitation Act concentrates on prevention of sanitary problems arising from consumption of foods and beverages. This Act requires food companies to take necessary measures under their own responsibility to ensure the safety of foods, additives, appliances and packages. The measures discussed in the Act include the acquisition of knowledge and skills, assurance of the safety of raw materials and voluntary inspection. The Food Labeling Act sets the standards for labeling of food that is intended for sales which define the labeling requirements such as allergen and expiration date, materials, or origin. Persons Engaged in Food-related Business and others must comply with the standards in preparing their product labels.

The JT Group is striving to establish a high level of food safety control from the above-mentioned four perspectives –“food safety”, “food defense”, “food quality” and “food communication” – in addition to complying with these laws and regulations and ensuring thorough awareness about them.

Litigation

Some of our subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco products, or exposure to tobacco smoke. As of the fiscal year-end date, there were a total of 20 smoking and health-related cases pending in which one or more members of the JT Group were named as a defendant or for which JT may have certain indemnity obligations pursuant to the agreement for JT's acquisition of RJR Nabisco Inc.'s overseas (non-U.S.) tobacco operations. We believe it is possible that other similar smoking and health-related lawsuits may be filed in the future.

In addition, JT and some of its subsidiaries are also defendants in lawsuits other than the smoking and health-related cases. Please refer to "Note 40" to the consolidated financial statements (Contingencies-Contingent Liabilities) for major lawsuits to which JT and some of its subsidiaries are named as defendants. Similar lawsuits involving us may be filed and contested in courts in the future.

To date, we have never lost a case or paid any settlement award in connection with smoking and health-related litigation. However, we are unable to predict the outcome of currently pending or future lawsuits. If a court ruling is unfavorable for us, in such cases whether lawsuits are smoking and health related or not, our financial results, production, sales and imports/exports of tobacco products may be adversely affected.

As of the fiscal year-end date, there are 10 ongoing healthcare cost recovery cases in Canada pending against JTI-Macdonald Corp. and JT's indemnities (RJR Nabisco Inc.'s affiliate), brought by Canadian provinces. In addition, there are eight pending class actions in Canada, of which five are currently dormant, where plaintiffs are seeking damages for harm allegedly caused by smoking of cigarettes. Damages claimed in some of these cases reach sums in the multi-billion dollar range. We will continue to take all appropriate actions to defend such claims vigorously, and believe there are a number of valid defenses.

In recent decades, numerous, large-scale, smoking and health-related cases have been brought against tobacco product manufacturers in the US, and some of the cases resulted in verdicts with massive damage awards. JT and its subsidiaries are not defendants in any of these lawsuits, nor are they subject to any indemnity claims. The tobacco business which JT acquired from RJR Nabisco Inc. in 1999 and the Natural American Spirit business which JT acquired from the Reynolds American Inc. group of companies in January 2016 did not include brands in the US, and even now, our historic and current tobacco business scale in the US remains very small. Accordingly, we consider potential exposure to smoking and health-related litigation in the US to be low, and we thus believe that litigation in the US will not materially affect our businesses in the near future.

Following the July 2015 acquisition of Logic Technology Development LLC, JT Group operates an e-cigarette business in the US. We are not aware of any related ongoing litigation alleging chronic effects on health associated with e-cigarette use. However, cases were filed against e-cigarette manufacturers in the US alleging harm caused to consumers by misleading representations and advertising for which plaintiffs are seeking damages and/or demanding health warnings. As of 31st December 2015, neither JT nor any of its subsidiaries are a party to these cases.

As a tobacco product manufacturer, we continue to monitor closely the developments and trends of litigation involving tobacco companies in the US, Canada, and elsewhere, with particular interest and attention.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

(As of March 23, 2016)

Members of the Board

Chairman of the Board
Yasutake Tango

Representative Directors

Mitsuomi Koizumi
Yasushi Shingai
Mutsuo Iwai

Members of the Board

Hideki Miyazaki
Motoyuki Oka*
Main Kohda*

* Outside Directors under the Companies Act of Japan.

Audit and Supervisory Board Members

Standing Audit and Supervisory Board Members

Futoshi Nakamura
Tomotaka Kojima

Audit & Supervisory Board Members

Yoshinori Imai*
Hiroshi Obayashi*

* Outside Audit & Supervisory Board Members under the Companies Act of Japan.

Executive Officers

President

Mitsuomi Koizumi
Chief Executive Officer

Executive Vice Presidents

Yasushi Shingai
Deputy Chief Executive Officer, Compliance, General Affairs, Legal, Corporate Strategy, IT, Business Development, HR and Operation Review & Business Assurance

Mutsuo Iwai

President, Tobacco Business

Hideki Miyazaki

Finance, CSR and Communications

Senior Vice Presidents

Ryoji Chijiwa
Compliance and General Affairs

Kazuhito Yamashita

Head of China Division, Tobacco Business

Chito Sasaki

Chief Marketing & Sales Officer, Tobacco Business

Senior Vice Presidents

Kiyohide Hirowatari
Head of Tobacco Business Planning Division, Tobacco Business

Junichi Fukuchi

Corporate, Scientific & Regulatory Affairs Division, Tobacco Business

Yasushi Hasegawa

Head of Leaf Procurement Group, Tobacco Business

Takehisa Shibayama

Chief R&D Officer, Tobacco Business

Hirakazu Otomo

Manufacturing Group, Tobacco Business

Muneaki Fujimoto

President, Pharmaceutical Business

Goichi Matsuda

Deputy President, Pharmaceutical Business

Shigenori Ohkawa

Head of Central Pharmaceutical Research Institute, Pharmaceutical Business

Naohiro Minami

Chief Financial Officer

Ryoko Nagata

CSR

Haruhiko Yamada

Legal

Yuki Maeda

Corporate Strategy and IT

Takehiko Tsutsui

Business Development

Koji Shimayoshi

Human Resources

Kei Nakano

Communications

Members of the JTI Executive Committee

(As of February 1, 2016)

Thomas A. McCoy

President and Chief Executive Officer

Masamichi Terabatake

Deputy CEO, Executive Vice President
Emerging Products & Corporate Strategy

Eddy Pirard

Executive Vice President
Business Development, Corporate Affairs
and Corporate Communications

Bilgehan Anlas

Senior Vice President Global Supply Chain

Bruno Duguay

Senior Vice President Compliance and
Corporate Social Responsibility

Antoine Ernst

Senior Vice President, Marketing & Sales

Stefan Fitz

Regional President, Asia Pacific

Roland Kostantos

Senior Vice President
Finance, IT and Chief Financial Officer

Marchant Kuys

Regional President, Americas

Hiroyuki Miki

Senior Vice President
Research & Development

Jorge da Motta

Regional President, Middle East, Near East,
Africa, Turkey and World Wide Duty Free

Paul Neumann

Senior Vice President Global Leaf

Howard Parks

Senior Vice President Human Resources

Kevin Tomlinson

Regional President, CIS+

Daniel Torras

Regional President, Central Europe

Vassilis Vovos

Regional President, Western Europe

Wade Wright

Senior Vice President Legal and
Regulatory Affairs

Head Office

2-1, Toranomom 2-chome,
Minato-ku, Tokyo 105-8422, Japan
Tel: 81-3-3582-3111
Fax: 81-3-5572-1441
URL: <https://www.jti.com/>

Date of Establishment

April 1, 1985

Paid-in Capital

¥100 billion

JT International S.A.

8, rue Kazem Radjavi
1202 Geneva
Switzerland
Tel: +41 (0)22-703-0777
Fax: +41 (0)22-703-0789
URL: <http://www.jti.com/>