

[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.]

Securities Code: 2914
March 2, 2021

To Our Shareholders

Masamichi Terabatake
Representative Director and President
Japan Tobacco Inc.
1-1, Toranomom 4-chome, Minato-ku, Tokyo

NOTICE OF CONVOCATION OF THE 36TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 36th Ordinary General Meeting of Shareholders of Japan Tobacco Inc. (“JT” or the “Company”), which will be held as set forth below.

This year, in light of the impacts of the novel coronavirus disease (COVID-19), we are asking you to prioritize your safety and to refrain from attending the meeting. Please exercise your voting rights beforehand via the Internet or by mail instead, by 6:00 p.m. on Tuesday, March 23, 2021.

Particulars

- 1. Date and Time of the Meeting:** Wednesday, March 24, 2021 at 10:00 a.m.
- 2. Place of the Meeting:** The Prince Park Tower Tokyo
Second basement, Ballroom
8-1, Shibakoen 4-chome, Minato-ku, Tokyo
- 3. Purpose of the Meeting:**
 - Matters to be Reported:**
 1. Report on the Business Report, the Consolidated Financial Statements, and the Independent Auditors’ Report and JT’s Audit & Supervisory Board Report on the Consolidated Financial Statements for the 36th Business Term (From January 1, 2020 to December 31, 2020)
 2. Report on the Non-Consolidated Financial Statements for the 36th Business Term (From January 1, 2020 to December 31, 2020)
 - Matters to be Resolved:**
 - Item 1:** Appropriation of Surplus
 - Item 2:** Election of One (1) Member of the Board

Information on Matters Posted on JT's Website

1. Among the documents to be provided upon release of this Notice of Convocation of this Ordinary General Meeting of Shareholders, the items below are posted on our website (<https://www.jti.co.jp/>) in accordance with laws and regulations, and the provision in Article 17 of the Articles of Incorporation. Therefore, they are not included in this Notice of Convocation of this Ordinary General Meeting of Shareholders.

- “Overview of the Resolutions on the Development of Systems Necessary to Ensure the Properness of Operations and the Operating Status of the Systems” on the Business Report
- “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” on the Consolidated Financial Statements
- “Non-Consolidated Statement of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” on the Non-Consolidated Financial Statements

In addition, these items are included in the Consolidated and Non-Consolidated Financial Statements audited by the Accounting Auditors in the course of preparing Accounting Auditors' Report, and in the Business Report, and Consolidated and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members in the course of preparing Audit Report.

2. If there is any amendment to the Reference Documents for the General Meeting of Shareholders, Business Report (available in Japanese), or Non-Consolidated and Consolidated Financial Statements (available in Japanese), it will be published on our website (<https://www.jti.co.jp/>).



Measures to Prevent the Spread of COVID-19 at the General Meeting of Shareholders

Requests to Shareholders

- * **This year, in light of the impacts of COVID-19, we are asking you to prioritize your safety and to refrain from attending the meeting in person.**
- * **Exercise of voting rights at the Company's General Meeting of Shareholders is shareholders' important right. Please exercise your voting rights beforehand via the Internet or by mail.** Note that the deadline for exercising your voting rights is 6:00 p.m. on Tuesday, March 23, 2021. Please see pages 4 to 5 for details.

<Measures to be implemented at the venue>

- **We ask shareholders attending in person to use alcohol disinfectant and wear face masks. Please be advised that persons who do not comply with these requests may not be allowed to enter the venue.**
- We will check the body temperature of the shareholders using thermography at the reception desk. Those who appear to be unwell may be approached by organizing staff members and asked to refrain from entering the venue.
- Even after the General Meeting of Shareholders has started, persons who appear to be feeling unwell may be approached by organizing staff members or may be asked to leave the venue.
- Note that the number of available seats will be limited in order to increase the space between the seats. Please be aware that even shareholders who come to the venue may not be allowed to enter.
- To ensure that the proceedings of the General Meeting of Shareholders progress smoothly and efficiently, the Company plans to shorten the time. The Company asks for your understanding and cooperation in this matter.
- Exhibits, such as those introducing the Company's businesses and products, have been cancelled.
- Although beverages (plastic bottles) are usually provided, they will not be provided at this General Meeting of Shareholders.

Measures by the Company

- * Organizing staff members will be at the venue after confirming their physical condition, which includes taking their temperature.
- * Organizing staff members will wear face masks when interacting with shareholders.
- * Alcohol disinfectant will be placed at the reception desk and multiple areas within the venue.

Operational Arrangements for the General Meeting of Shareholders

- * If you are attending in person, please present the Voting Rights Excise Form at the reception desk on arrival at the venue. In addition, please bring this Notice of Convocation of this Ordinary General Meeting of Shareholders.
- * In case an agent attends the meeting, your agent must bring a letter of attorney along with the Voting Rights Exercise Form. Only one other shareholder who can exercise the voting rights at this Ordinary General Meeting of Shareholders is supposed to be eligible to serve as your agent.
- * Please note that the meeting will be conducted in Japanese only. An interpreter, including a sign language interpreter, may accompany you. If you would like to have an interpreter accompany you, please tell so at the reception desk. It is also possible for us to arrange a Japanese sign language interpreter for you. If you are in need of this service, please inquire us in writing by March 17 (Wednesday) (your letter of inquiry must reach us by this date).
- * Please note that gifts will not be provided to those attending the General Meeting of Shareholders. We ask for your understanding in this matter.
- * **The General Meeting of Shareholders will be streamed live over the Internet so that shareholders will be able to watch the proceedings from their homes or other locations (only available in Japanese).**

In the case of material changes on the operation of the General Meeting of Shareholders, you will be informed via the Company's website (<https://www.jti.co.jp/>).

Instructions for Exercising Your Voting Rights via the Internet or by Mail

When Exercise the Voting Rights via the Internet

Access the Voting Rights Exercise Website from your computer or smartphone as follows and indicate whether you are for or against each of the items.

Exercise due date



No later than 6:00 p.m., on Tuesday, March 23, 2021

Log in from your smartphone

1. Scan the QR Code at the lower right-hand side of the Voting Rights Exercise Form.
 - ✓ It is not necessary to fill in or mail the usual form.
 - ✓ It is not necessary to turn on your computer or type the Voting Rights Exercise Website address.
 - ✓ It is not necessary to type a burdensome ID or password.
- * You can exercise your voting rights only one time by scanning the QR Code to log in.
If exercising voting rights more than once, use the instructions in “Log in from your computer, etc.”
 - * Depending on the smartphone model being used, it may not be possible to log in using the QR Code.
 - * Depending on the app used to scan the QR Code, some additional operations may be necessary.
 - * QR Code is a registered trademark of DENSO WAVE INCORPORATED.
2. Then, please indicate whether you are for or against each of the items following the directions on the website.

Log in from your computer, etc.

Voting Rights Exercise Website: <https://evote.tr.mufg.jp/>

1. Access the Voting Rights Exercise Website.
2. Fill in the “Log-in ID” and the “Temporary Password” described on the lower right-hand side of the Voting Rights Exercise Form, and click the “Log-in” button.
3. Register a new password.
4. Then, please indicate whether you are for or against each of the items following the directions on the website.

If you have any enquiries, please contact Help Desk shown below.

Enquiries on systems, etc.



Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Help Desk
Tel: 0120-173-027 (Japanese-language only)
(Business hours: 9:00 to 21:00, Toll-free)

To institutional
investors

JT participates in the electronic voting rights exercise platform operated and administered by ICJ, Inc.

When Exercise the Voting Rights by Mail

Please indicate whether you are for or against each of the items on the Voting Rights Exercise Form and return it to us. If there is no indication of for or against on each proposal, it shall be deemed that you have voted for the proposal.

Exercise due date



To be returned to us no later than 6:00 p.m., on Tuesday,
March 23, 2021

Guide to filling in the Voting Rights Exercise Form

Please indicate for or against about each item.

Items 1 and 2

When you are for the proposed item, mark in the “for” box, and when you are against the item, mark in the “against” box.

- * In the event voting rights are exercised more than once:
 - (1) If the voting right is exercised both via the Internet and by mail, only the exercise of the voting right via the Internet shall be valid.
 - (2) If the voting right is exercised more than once via the Internet, only the last exercise of the voting right shall be valid.

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Item 1: Appropriation of Surplus

The Company has adopted a resources allocation policy, under which the Company will continue to place a high priority on making business investments that contribute to sustainable mid- to long-term profit growth as well as to value the balance between profit growth through business investments and shareholder returns. In this context, the Company has been pursuing enhanced shareholder returns in proportion to the mid- to long-term profit growth, while maintaining a solid financial base^(Note).

In accordance with these policies, year-end dividends for the 36th Business Term will be paid as described below.

(Note) As its financial policy, JT will maintain a solid financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.

Year-end dividends

(1) Type of assets to be paid as dividends:

Cash

(2) Allotment of assets to be paid as dividends and their aggregate amount:

¥77 per share of ordinary shares of JT

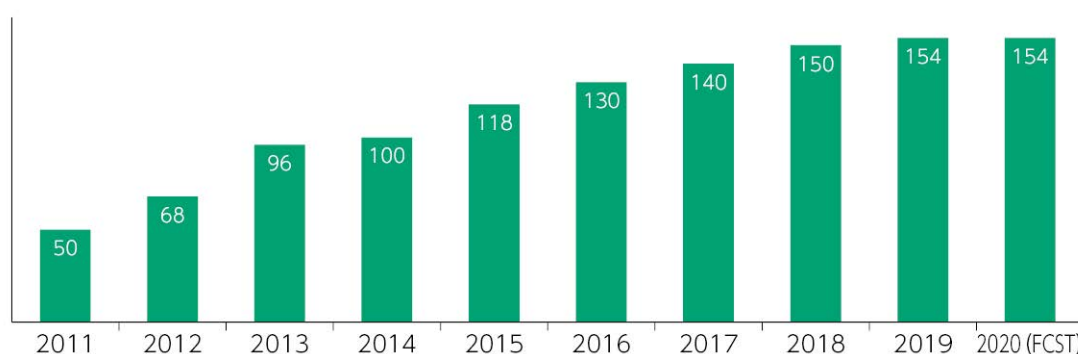
Aggregate amount: ¥136,616,890,333

Together with the interim dividends of ¥77 per share paid in September 2020, the annual dividends for the 36th Business Term will be ¥154 per share.

(3) Effective date for distribution of surplus:

March 25, 2021

Reference: Trends in dividend per share^(Note) (yen)

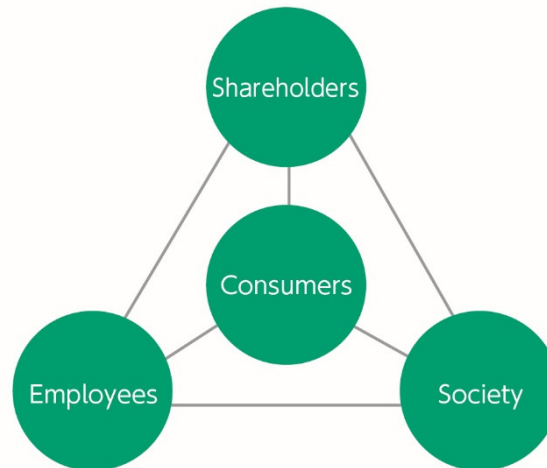


(Note) A 200 for 1 share split was effectuated as of July 1, 2012. The above numbers are calculated on the assumption that the share split was retroactively effective.

[Reference] Resources allocation policy of the Business Plan 2020

Management Principles

We strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.



In accordance with the “Business Plan 2020,” the Group has pursued a mid to high single digit^(Note 1) annual average growth rate over the mid- to long-term in adjusted operating profit at constant FX^(Note 2), and adopted the following resources allocation policy.

For the resources allocation policy of the Business Plan 2021, please refer to page 36.

Resources allocation policy

Allocate resources based on the “4S model” that underlies the Group’s management principles.

- Prioritize business investments for sustainable profit growth over the mid- to long term
- Strike a balance between profit growth through business investments and shareholder returns

Business investments

- Aim for quality top-line growth by continuously providing new value and satisfaction to customers
- Investment towards the growth of the tobacco business is of our highest priority

Shareholder returns

- Aim to enhance shareholder returns in agreement with the Company’s mid- to long-term profit growth, while maintaining a solid financial base
 - Work toward stable and consistent growth in dividend per share^(Note 3)
 - Consider implementing acquisitions of treasury shares, mainly taking into account the medium-term outlook on business environment and financial positions
 - Continue to monitor a trend in shareholder returns of global FMCG^(Note 4) companies

(Notes) 1. mid to high single digit: mid to high single digit-percentage

2. Adjusted operating profit is calculated by deducting amortization cost of acquired intangibles and adjustment items (income and costs) from operating profit (loss). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Adjusted operating profit growth rate at constant FX is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current fiscal year in the International Tobacco Business using the foreign exchange rates of the previous fiscal year.


3. Based on the mid- to long-term outlook of the growth rate of adjusted operating profit at constant FX, the Group will also take into account the Group’s level of profit.

4. A Fast-Moving Consumer Goods (daily consumer goods) company is a company that achieves a high-growth business by adopting a stakeholder model.

Item 2: Election of One (1) Member of the Board

Member of the Board Koichiro Watanabe will resign at the conclusion of this Ordinary General Meeting of Shareholders. We therefore request the election of one (1) Member of the Board as his substitute. In addition, as provided for in the Company's Articles of Incorporation, the term of office of the Member of the Board elected as a substitute will be until the terms of office of the other currently serving Members of the Board expire.

The candidate for the office of Member of the Board is as follows.

Masato Kitera		(Born October 10, 1952)	Number of the Company's Shares Held	0																						
 <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Newly appointed</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Outside Director</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Independent Director</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company			<p>Reasons for nomination as a candidate for Outside Director</p> <p>Masato Kitera has held important positions in the service of the government over many years, primarily in the Ministry of Foreign Affairs, and possesses extensive international experience cultivated in the course of his diplomatic and other activities, as well as a high level of knowledge related to international affairs.</p> <p>In addition to anticipating that his high level of international knowledge will influence the management of the Group as it expands its business outside Japan at a time of increasing geopolitical risk globally, we expect his appropriate advice and supervision to contribute to a further enhancement of corporate governance. Accordingly, we consider him an appropriate candidate for Outside Director of the Company, and propose his election as such.</p>																						
	<table border="0"> <tr> <td style="padding-right: 10px;">April 1976</td> <td>Joined the Ministry of Foreign Affairs</td> </tr> <tr> <td style="padding-right: 10px;">January 2008</td> <td>Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs</td> </tr> <tr> <td style="padding-right: 10px;">July 2008</td> <td>Director-General, International Cooperation Bureau, Ministry of Foreign Affairs</td> </tr> <tr> <td style="padding-right: 10px;">January 2010</td> <td>Deputy Minister, Ministry of Foreign Affairs</td> </tr> <tr> <td style="padding-right: 10px;">September 2012</td> <td>Assistant Chief Cabinet Secretary</td> </tr> <tr> <td style="padding-right: 10px;">November 2012</td> <td>Ambassador of Japan to the People's Republic of China</td> </tr> <tr> <td style="padding-right: 10px;">April 2016</td> <td>Ambassador of Japan to the Republic of France</td> </tr> <tr> <td style="padding-right: 10px;">June 2016</td> <td>Ambassador of Japan to the Republic of France, Andorra and Monaco</td> </tr> <tr> <td style="padding-right: 10px;">December 2019</td> <td>Retired as Ambassador of Japan to the Republic of France, Andorra and Monaco</td> </tr> <tr> <td style="padding-right: 10px;">April 2020</td> <td>Advisor, JT (to present)</td> </tr> <tr> <td style="padding-right: 10px;">June 2020</td> <td>External Director, Marubeni Corporation (to present)</td> </tr> <tr> <td></td> <td>Outside Director, NIPPON STEEL CORPORATION (to present)</td> </tr> </table>	April 1976	Joined the Ministry of Foreign Affairs		January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs	July 2008	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs	January 2010	Deputy Minister, Ministry of Foreign Affairs	September 2012	Assistant Chief Cabinet Secretary	November 2012	Ambassador of Japan to the People's Republic of China	April 2016	Ambassador of Japan to the Republic of France	June 2016	Ambassador of Japan to the Republic of France, Andorra and Monaco	December 2019	Retired as Ambassador of Japan to the Republic of France, Andorra and Monaco	April 2020	Advisor, JT (to present)	June 2020	External Director, Marubeni Corporation (to present)		Outside Director, NIPPON STEEL CORPORATION (to present)
April 1976	Joined the Ministry of Foreign Affairs																									
January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs																									
July 2008	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs																									
January 2010	Deputy Minister, Ministry of Foreign Affairs																									
September 2012	Assistant Chief Cabinet Secretary																									
November 2012	Ambassador of Japan to the People's Republic of China																									
April 2016	Ambassador of Japan to the Republic of France																									
June 2016	Ambassador of Japan to the Republic of France, Andorra and Monaco																									
December 2019	Retired as Ambassador of Japan to the Republic of France, Andorra and Monaco																									
April 2020	Advisor, JT (to present)																									
June 2020	External Director, Marubeni Corporation (to present)																									
	Outside Director, NIPPON STEEL CORPORATION (to present)																									
	External Director, Marubeni Corporation																									
	Outside Director, NIPPON STEEL CORPORATION																									

- (Notes)
1. No conflict of interest exists between the Company and Masato Kitera.
 2. Should Masato Kitera's election be approved, the Company intends to enter into an agreement with him to limit his liabilities stipulated in Article 423, paragraph 1 of the Companies Act to the extent permitted by laws and regulations.
 3. Should Masato Kitera's election be approved, the Company intends to enter into a liability agreement with him as stipulated in Article 430-2, paragraph 1 of the Companies Act, whereby the Company shall compensate him for expenses incurred under item (i) of the same paragraph, and any losses incurred under item (ii) of the same paragraph, to the extent permitted by laws and regulations.
 4. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act, and intends to renew this agreement in April 2021. Under the terms of this insurance agreement, litigation expenses and compensation for damages arising from legal action against the policyholders by third parties, shareholders or companies shall be supplemented. Should his election be approved, the Company intends to include Masato Kitera in the policyholders of this agreement.
 5. Masato Kitera satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc. Although the Company has a business relationship for materials procurement etc. with Marubeni Corporation, of which he is an External Director, the value of this business in fiscal 2020 was negligible, coming to less than 0.001% of consolidated revenue for Marubeni Corporation in the fiscal year ended March 2020, and less than 0.001% of the Company's consolidated revenue in fiscal 2020. In addition, given that he might be appointed an Outside Director of the Company at some point in the future, in April 2020 the

Company entered into a part-time advisory agreement with Masato Kitera, for the purpose of enabling him to gain an understanding of the state of management and of details of the operations beforehand, and benefiting from his opinions with regard to management and the business from an independent standpoint. Remuneration related to this agreement is paid as consideration for this advice, and the consideration paid to Masato Kitera hitherto, and the consideration that is expected to be paid to him this fiscal year, will be not more than ¥10 million prescribed in the Criteria for Evaluating the Independence of Outside Executives established by the Company.

We judge that this relationship has no impact on his independence.

Furthermore, should Masato Kitera be elected, the Company intends to terminate the part-time advisory agreement with him.

6. The Company intends to designate Masato Kitera as an independent director as prescribed by the Tokyo Stock Exchange, Inc., should his election be approved.

Reference: Composition of the Board of Directors after election (Plan)

Name		Positions and Responsibilities in the Company	Attendance at meetings of the Board of Directors	Number of years as Member of the Board	Number of significant concurrent positions	Advisory Panel on Nomination and Compensation
[Currently appointed]	Yasutake Tango	Chairperson of the Board	13/13 (100%)	6 years and 9 months	2	●
[Currently appointed]	Mutsuo Iwai	Deputy Chairperson of the Board	13/13 (100%)	5 years	1	-
[Currently appointed]	Masamichi Terabatake	Representative Director and President, Chief Executive Officer	13/13 (100%)	3 years	1	-
[Currently appointed]	Naohiro Minami	Representative Director and Executive Vice President, Chief Financial Officer and Communications	13/13 (100%)	3 years	1	-
[Currently appointed]	Kiyohide Hirowatari	Representative Director and Executive Vice President, Legal, Corporate Strategy, Digitalization, Human Resources, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	13/13 (100%)	3 years	-	-
[Currently appointed]	Kazuhito Yamashita	Member of the Board and Senior Vice President, Chief Sustainability Officer, Compliance and General Affairs	13/13 (100%)	2 years	-	-
[Currently appointed]	Main Kohda [Outside Director] [Independent Director]	Outside Director	13/13 (100%)	8 years and 9 months	3	●
[Currently appointed]	Yukiko Nagashima [Outside Director] [Independent Director]	Outside Director	13/13 (100%)	2 years	2	●
[Newly appointed]	Masato Kitera [Outside Director] [Independent Director]	Outside Director	-	-	2	●

(Notes) 1. Attendance at meetings of the Board of Directors held in fiscal 2020 is presented.

2. The numbers of years as Member of the Board at the conclusion of this Ordinary General Meeting of Shareholders are presented.
3. Representative Director and President, Chief Executive Officer Masamichi Terabatake also serves as President, Tobacco Business.

【Reference】 Corporate Governance

Fundamental Policy Concerning Corporate Governance

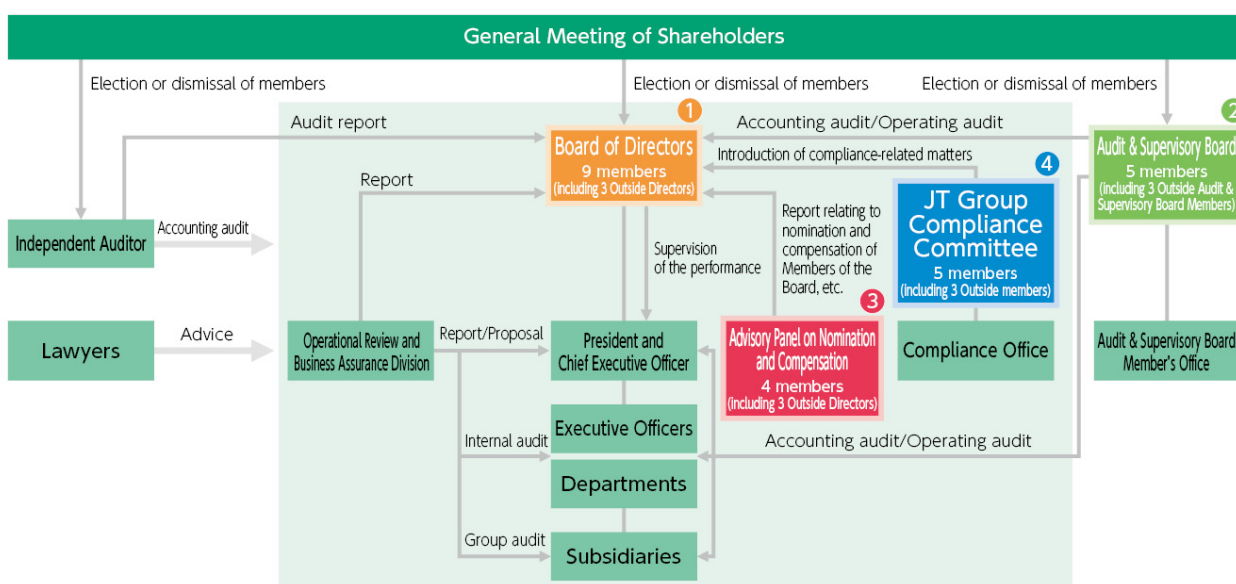
We have enhanced our corporate governance, based on our belief that it is the means for conducting transparent, fair, timely and decisive decision-making for pursuing JT’s management principle, the “4S model.” Specifically the “4S model” aims “to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.”

We have set out the “JT Corporate Governance Policies” on February 4, 2016, 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 company value, which will contribute to the development of our group’s stakeholders and eventually the economic society as a whole.

We will continue to strive to make the enhancement of corporate governance one of the key challenges for our management.

JT’s Corporate Governance System (as of December 31, 2020)

“JT Corporate Governance Policies” is posted on our website (<https://www.jti.co.jp/>).



(1) Board of Directors

[Roles]

The Board of Directors assumes responsibility in making decisions for important issues including the JT Group management strategies as well as supervising all the activities of the Group.

[Composition]

From the point of view that the Board of Directors determines company-wide management strategy and important issues 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 Director with qualities that will contribute to its sustainable profit growth and increase of company value in the mid- to long-term from the viewpoint of strengthening supervisory functions and transparency of business.

It is currently composed of nine (9) Members of the Board (including three (3) Independent Outside Directors). Conditional on approval by this Ordinary General Meeting of Shareholders, it is planned that it be composed of nine (9) Members of the Board (including three (3) Independent Outside Directors).

[Operation during the period under review]

In year ended December 31, 2020, we had 13 board meetings to discuss important issues including the management plan and nomination of Executive Officers.

(2) Audit & Supervisory Board

[Roles]

The Audit & Supervisory Board shall be composed of persons with proven experience in business, law, financial affairs and accounting, etc. Audit & Supervisory Board Members, in addition to participating in the Board of Directors meetings and other important meetings and making remarks as an independent body mandated by the shareholders, shall actively exercise his/her authority such as by proactively inspecting business bases, etc., as well as appropriately conduct an audit from an objective position corresponding to the nature of duties of independent outside Audit & Supervisory Board Members or standing Audit & Supervisory Board Members.

[Composition]

It is currently composed of five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members).

[Operation during the period under review]

In year ended December 31, 2020, we had 13 board meetings to discuss issues including the auditing policies and preparing of Audit Report.

(3) Advisory Panel on Nomination and Compensation

[Roles]

The Advisory Panel on Nomination and Compensation was established as an optional advisory body to the Board of Directors and integrates the functions of the previous Meeting for Talent Development and Compensation Advisory Panel. The purpose of establishing the panel is to further enhance the objectivity and transparency of the Board of Directors' decision making and to improve the supervisory functions of the Board of Directors by having the panel support the development of a group of executive candidates, deliberate on the nomination of Member of the Board and Audit & Supervisory Board Member candidates, deliberate on dismissal of Executive Directors and Members of the Board who execute the business, and deliberate on matters regarding remuneration for Members of the Board and Executive Officers, then report to the Board of Directors.

[Composition]

It is currently composed of four (4) members and is chaired by the Chairperson of the Board, who does not serve as an Executive Officer, with the other places being taken by three (3) Independent Outside Directors.

[Operation during the period under review]

In year ended December 31, 2020, we had four (4) meetings to confirm the resolution tabled at the Ordinary General Meeting of Shareholders in relation to the revision of the executive remuneration plan, to confirm the level of remuneration, to confirm the pool of executive candidates, and to deliberate the nomination of Member of the Board candidates, amongst other matters.

(4) JT Group Compliance Committee

[Roles]

The JT Group Compliance Committee was established as part of the Company's efforts to ensure that compliance is practiced fairly and effectively.

[Composition]

It is headed by the Chairperson of the Board, with the majority of the members consisting of external members.

[Operation during the period under review]

In year ended December 31, 2020, we had three (3) meetings to discuss initiatives, etc. to further promote compliance. Its conclusions have been reflected in the Compliance Action Plan for FY2021.

【Reference】 Nomination of Member of the Board Candidates

In “JT Corporate Governance Policy,” the Company prescribes the following.

Nomination of Member of the Board candidates and Audit & Supervisory Board Member candidates, dismissal of Executive Directors and Members of the Board who also serve as Executive Officers and related matters shall be conducted under the appropriate supervision of the Board of Directors, according to the following policies and procedures.

- JT shall work on expanding, in terms of quality and quantity, the group of executive candidates with qualities for assuming sustainable profit growth and increase of company value in the mid- to long-term by pursuing the “4S model.”
Specifically, JT aspires to enhance the development of a group of executive candidates and improve the substance of succession plans, along with the process for formulating such plans, while referring to opinions from outside at the Advisory Panel on Nomination and Compensation comprised mainly of Independent Outside Director.
- Member of the Board candidates shall be nominated by resolution of the Board of Directors. The resolution shall be made after securing opportunities for receiving appropriate advice from Independent Outside Director by having the Advisory Panel on Nomination and Compensation deliberate on a candidate proposal formed by the President and report the content and results of its deliberations to the Board of Directors.
Audit & Supervisory Board Member candidates shall be nominated by resolution of the Board of Directors as persons who is expected to perform their duties appropriately from a position independent of the Board of Directors. The resolution shall be made after securing opportunities for receiving appropriate advice from Independent Outside Director by having the Advisory Panel on Nomination and Compensation deliberate on a candidate proposal formed by the President and report the content and results of its deliberations to the Board of Directors, and receiving prior consent from the Audit & Supervisory Board.
- Dismissal of Executive Directors and Members of the Board who also serve as Executive Officers in the cases where they do not meet the required qualifications or have become unable to perform their duties shall be made by resolution of the Board of Directors after securing opportunities for receiving appropriate advice from Independent Outside Director by having those Members of the Board who are not subject to dismissal request the Advisory Panel on Nomination and Compensation to deliberate on the proposal for dismissal and then having the panel report the content and results of its deliberations to the Board of Directors.

Further, when bringing up the agenda item on the appointment of Member of the Board candidates and Audit & Supervisory Board Member candidates at the shareholders’ meeting, and when the Board of Directors has resolved to dismiss a Member of the Board who execute the business, JT shall disclose the reasons for the appointment of individual candidates and for the dismissal.

【Reference】 Criteria for Evaluating the Independence of Outside Executives

The Company has established a Criteria for Evaluating the Independence of Outside Executives and Independent Directors/Audit & Supervisory Board Members must not fall under any of the following categories.

- 1 A person who belongs or belonged to JT or an affiliate 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:
 - (1) 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)
 - (2) A member of the board, audit & supervisory board member, audit advisor, executive officer or employee of JT or an affiliate or sister company of JT
 - (3) A person who has fit the descriptions in (1) or (2) in the recent past

(Note)

- A company or any other form of organization of which JT is a major shareholder
A company or any other form of organization, in which JT holds more than 10% of all shares issued
- A major shareholder of JT, or a company or any other form of organization which is a major shareholder of JT
A person, or a company or any other form of organization, that holds more than 10% of all shares of JT issued
- A major supplier or customer of JT
A person whose business with JT accounts for more than 2% of the consolidated revenue of JT, or a person whose business with JT accounts for more than 2% of the consolidated revenue of the person
- A major creditor of JT including a major loan lender
A financial institution listed in the “Major Lenders” section of JT’s Business Report, and a financial institution listed as a lender or a lead managing underwriter in materials released at the time of major M&A deals in the past, and at other times
- 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
A person who receives fees of more than ¥10 million in a fiscal year from JT in exchange for providing professional services for legal, financial and tax affairs or business consulting services. For a company or any other form of organization, this shall be 2% or more of total income in a fiscal year. However, even if the fees do not exceed 2%, in cases where consideration for services in which such professionals are directly involved exceeds ¥10 million, it shall be considered a large amount.

- A person who receives a large amount of donation from JT
A person who receives a donation of more than ¥10 million in a fiscal year from JT. In cases where the recipient is a company or any other form of organization, a person belonging to an organization that receives a donation of ¥10 million in a fiscal year or the equivalent to 2% of the organization's total annual income or consolidated revenue, whichever is the greater amount.
- A close relative
A spouse or a relative within the second degree of kinship
- A person who performs important duties
A person of head of division or executive rank
- Retrospective measure (criteria for judging "in the recent past")
The retrospective period shall be the past five years.

Notwithstanding the above mentioned notes, as a result of investigations into the past and present state of employment of a candidate, it is judged that the person is in effect independent, that person may become an Outside Member of the Board or an Outside Audit & Supervisory Board Member after receiving the approval of the Board of Directors. In such cases, the grounds for the decision shall be disclosed publicly.

【Reference】 Evaluation of Effectiveness of the Board of Directors of the Company

With regard to the effectiveness of the Board of Directors, in addition to annual questionnaire-based self-evaluations by Members of the Board and Audit & Supervisory Board Members from the standpoint of such themes as business operation systems and supervisory functions of the Board of Directors, and dialogue with shareholders and investors, before compiling the results the Board of Directors Secretariat also conducts individual interviews with the aim of supplementing the results of the evaluations. The results of the self-evaluations are assessed and analyzed at the Board of Directors, leading to further improvements in its effectiveness. Furthermore, we take advice from external institutions when creating the questionnaire and analyzing the results, in order to ensure objectivity and further improve the evaluation of effectiveness.

The major items evaluated were as follows.

Business operation systems of the Board of Directors	Composition (internal/external ratio, diversity); status of operations (frequency of holding meetings, appropriateness of topics of discussion, advance explanations); systems for support and cooperation (cooperation between Members of the Board and Audit & Supervisory Board Members / the internal auditing division, etc., utilization of committees, sharing of information outside the Board of Directors); status of discussions (fair and prompt decision-making that follows the management principles of the Company, free and open-minded discussion), etc.
Supervisory functions of the Board of Directors	Systems for reporting the status of business execution, risk management systems, penetration of compliance awareness, decision-making process for executive remuneration, succession planning, etc.
Dialogue with shareholders and investors	Sharing of shareholder and investor views, status of development of system for engaging in dialogue, etc.

In the evaluation of effectiveness conducted for fiscal 2019, the items undergoing evaluation obtained good results on the whole, allowing the Company to confirm that the effectiveness of the Board of Directors is improving and the Board of Directors is functioning effectively.

Conversely, in addition to identifying issues related to the operation of the Board of Directors aimed at further improving its effectiveness, and issues related to better sharing of information that could contribute to further enhancements in the quality of decision-making by the Board of Directors, the following measures for improvement, which also took into account the impacts of COVID-19, were implemented throughout 2020.

- Effective and efficient operation of the Board of Directors aimed at further enhancements in its capabilities
 - More detailed advance explanations for critical matters, and more substantial deliberation and discussion
 - Remote hosting of some meetings of the Board of Directors, and the use of digital versions of proposal materials and minutes
- Better sharing of information that could contribute to further enhancements in the quality of decision-making
 - Enhanced sharing of information in relation to the following matters
 - Details and status of investigations into important policies related to mid- to long-term strategy
 - Status of operations in important countries or regions
 - Status of dialogue with shareholders/investors
 - Sustainability strategy for the Company as a whole and individual businesses, progress towards the same, and results of external evaluation, etc.
 - The impacts of COVID-19 on employees and individual businesses, measures taken in response, and status of the same

The fiscal 2020 effectiveness evaluation recognized that there had been improvements in the main initiatives for the year (effective and efficient operation of the Board of Directors / better sharing of information), in addition to which the items undergoing evaluation again achieved good results, on the whole.

On the other hand, in order to make an ongoing contribution to enhanced effectiveness, the Company will target continuous improvements from 2021 onwards, focusing on the following newly identified issues.

Main issues	Policy for improvements going forward
Measures to maintain and improve the quality and amount of communication between Members of the Board (in light of reduced opportunities for face-to-face meetings due to the impacts of COVID-19)	Further enhancement of discussions, exchanges of opinions, and information sharing under themes, such as the progress of key policies in the mid- to long-term strategy, status of each stakeholder who contributes to the further pursuit of the 4S model, and corporate governance
Discussions that delve deeper into topics related to corporate governance	

The Company will continue to implement improvements required to further enhance effectiveness, including the above-mentioned activities.

[For your reference, we have included various graphs and photographs.]

[Attached Documents]

Business Report

(From January 1, 2020 to December 31, 2020)

I. Matters Concerning Present State of the Corporate Group

1. Overview and Results of Operations

General summary

• Revenue

The negative foreign currency impacts were offset by the positive momentum from the favorable price/mix contributions in the International Tobacco Business, but due to a revenue decline in the Japanese Domestic Tobacco Business, Processed Food Business and Pharmaceutical Business, revenue fell by 3.8% from the previous fiscal year to ¥2,092.6 billion. Moreover, the negative effects on consolidated revenue of the spread of infection caused by the novel coronavirus that appeared in 2020 are estimated to have been about ¥61.0 billion, equivalent to 3% of the total.

• Adjusted operating profit, operating profit and profit attributable to owners of the parent company

Adjusted operating profit at constant FX, which is one of the Group's management benchmarks, increased by 5.5% from the previous fiscal year driven by an increase in the Pharmaceutical Business, as well as growth in the International Tobacco Business, partially offset by decreases in the Japanese Domestic Tobacco Business and Processed Food Business. Adjusted operating profit decreased by 5.6% from the previous fiscal year to ¥487.0 billion, due to declines in the Japanese Domestic Tobacco Business and the Processed Food Business in addition to the negative foreign currency impacts in the International Tobacco Business.

Operating profit decreased by 6.6% from the previous fiscal year to ¥469.1 billion, due to factors including an unfavorable comparison from the one-time compensation gains in the Pharmaceutical Business in 2019. This was in spite of the increase in proceeds from sales of real estate, due mainly to the sale of the former JT head office building, and a favorable comparison from transformation-related restructuring costs in the International Tobacco Business in 2019.

Profit attributable to owners of the parent company declined by 10.9% from the previous fiscal year to ¥310.3 billion, mainly due to the decline in operating profit and increase in financing costs.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 "Financial Reporting in Hyperinflationary Economies" (hereinafter referred to as "IAS 29"). However, the impact of IAS 29 is not included in each indicator at constant FX.

JT Group Management Benchmarks

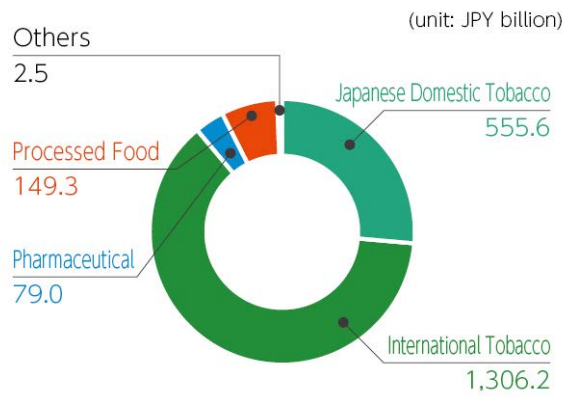
Adjusted operating profit (at constant FX) ^(Note 1)	+5.5% year on year
---	--------------------

Consolidated performance

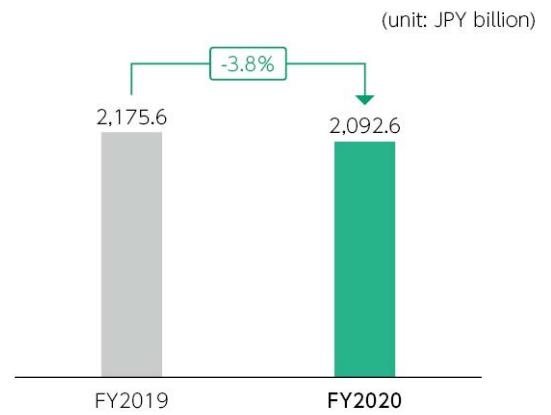
	[Billions of yen]	Year-On-Year Change [%]
Revenue	2,092.6	(3.8)
Adjusted operating profit ^(Note 2)	487.0	(5.6)
Profit attributable to owners of the parent company	310.3	(10.9)

- (Notes)
1. Adjusted operating profit (at constant FX) is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current fiscal year in the International Tobacco Business using the foreign exchange rates of the previous fiscal year.
 2. Adjusted operating profit is calculated by deducting amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs) from operating profit (loss). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

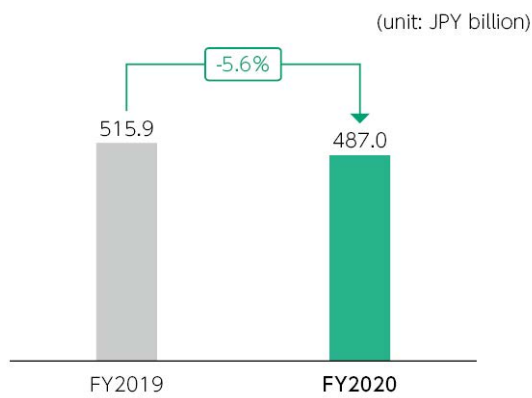
Revenue breakdown by business segment



Revenue

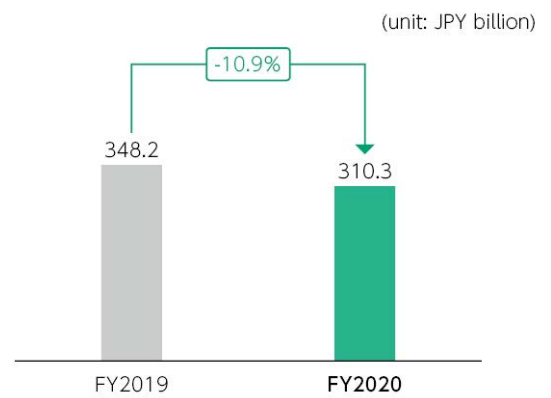


Adjusted operating profit

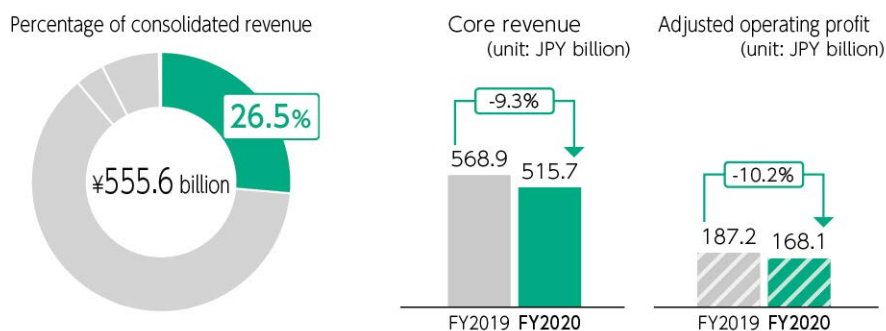


Profit

(Attributable to owners of the parent company)



Japanese Domestic Tobacco Business



In the current fiscal year, sales volume of cigarettes^(Note 1) was negatively impacted by a decline in cigarette industry volume^(Note 2) caused by the impacts of COVID-19, price revisions and regulatory changes, and growth in the RRP^(Note 3) category in addition to a natural decline trend, as well as cigarette market share losses. As a result, sales volume fell by 9.0%, from the previous fiscal year to 68.7 billion cigarettes. The Company's RRP sales volume^(Note 4) increased by 0.7 billion to 3.9 billion cigarette equivalent units.

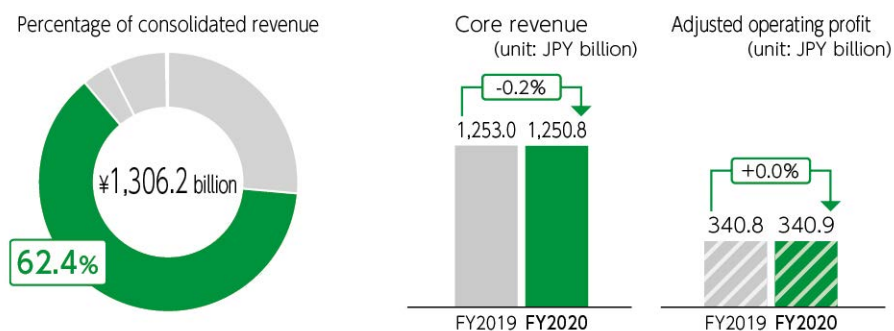
Core revenue from the tobacco business^(Note 5) fell by 9.3% from the previous fiscal year to ¥515.7 billion, mainly due to an unfavorable cigarette sales volume variance, a decrease in RRP-related revenue, and lower sales in domestic Duty-Free and China businesses despite a positive cigarette price/mix variance. RRP-related revenue benefited from an increase in RRP sales volume, but the decline in device sales and the unfavorable cigarette price/mix variance for refills attributed to the tax absorption following price revisions in October 2019 led to a decrease of ¥5.0 billion over the previous fiscal year, to ¥55.9 billion. Furthermore, COVID-19 is estimated to have negatively impacted revenue by about ¥30.0 billion, of which slightly more than half is attributed to domestic Duty-Free and China businesses.

Adjusted operating profit benefited from the effects of a positive cigarette price/mix variance, the non-recurrence of an impairment loss recorded in the previous fiscal year in relation to capsule manufacturing machines for tobacco-infused vapor product using low-temperature heating technology, a significant decline in indirect costs due to protracted COVID-19 disruptions, and efficient cost management and investments in priority activities. However, the impact of an unfavorable cigarette sales volume variance, a decrease in RRP-related revenue, lower sales in domestic Duty-Free and China businesses, and strengthened investment centered on RRP and digital marketing resulted in a decline of 10.2% over the previous fiscal year, to ¥168.1 billion.

- (Notes)
1. Sales volume of cigarettes includes the Company's sales volume for cigarettes and little cigars in the Japanese market, but it does not include sales volume for RRP and so on. In addition to the figure stated above for sales volume, during the fiscal year ended December 31, 2020, 1.8 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of the Company's China Division (4.0 billion cigarettes in the previous fiscal year).
 2. Cigarette industry volume includes sales volume for cigarettes in the whole Japanese market. The figure stated above for cigarette industry volume includes little cigars but does not include sales volume for RRP and so on.
 3. Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as E-Vapor products and T-Vapor products. E-Vapor products do not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy. Conversely, T-Vapor products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy.
 4. RRP sales volume is converted at the equivalent of 20 cigarettes per pack. The figure stated above does not include sales volume sold at duty-free shops in Japan. Also, RRP-related revenue includes revenue from duty-free shops in Japan and revenue from devices and associated accessories, etc.

5. Core revenue in the Japanese Domestic Tobacco Business includes revenue from the domestic duty-free market as well as from markets in China, Hong Kong and Macau that are under the control of the Company's China Division, in addition to revenue related to RRP, little cigars and so on, but it excludes revenue related to imported tobacco delivery charges, among others.

International Tobacco Business



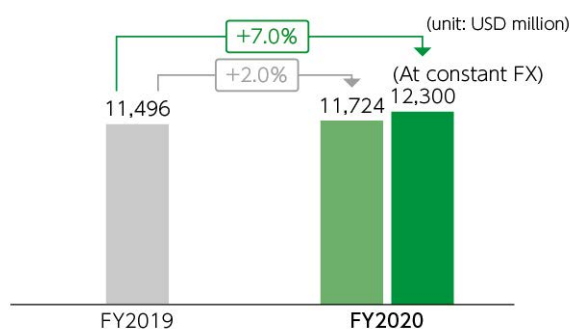
In the current fiscal year, amid the prolonged impacts of COVID-19, the impact of the decline in the number of travelers on duty-free sales, as well as industry volume contraction in several markets, notably Russia, resulted in total shipment volume^(Note 1) decreasing by 2.3% from the previous fiscal year to 435.7 billion cigarettes. GFB^(Note 2) shipment volume rose by 1.8% from the previous year to 282.0 billion cigarettes, driven by Winston and LD.

On a JPY basis, core revenue from the tobacco business^(Note 3) was almost unchanged from the previous fiscal year at ¥1,250.8 billion, with a favorable price/mix variance and volume contribution offsetting currency headwinds. Adjusted operating profit on a JPY basis was also unchanged from the previous fiscal year, at ¥340.9 billion. Furthermore, COVID-19 is estimated to have negatively impacted core revenue from the tobacco business by about ¥20.0 billion.

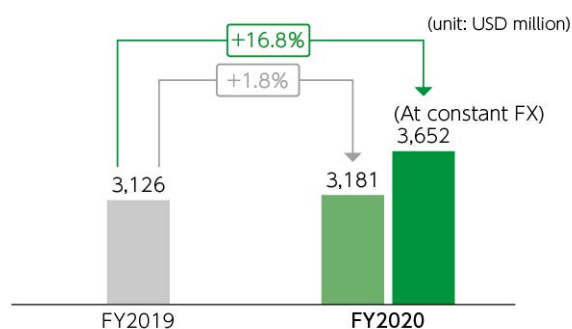
On a USD basis, a favorable price/mix variance and a positive volume contribution from a favorable market mix resulted in core revenue from the tobacco business rising by 2.0% from the previous fiscal year, to \$11,724 million (up 7.0% from the previous fiscal year at constant FX). In addition, due to a positive price/mix variance and volume contribution, adjusted operating profit on a USD basis rose by 1.8% from the previous fiscal year to \$3,181 million (up 16.8% from the previous fiscal year at constant FX).

- (Notes)
1. Includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and T-Vapor products, except for contract manufacturing products, waterpipe tobacco products and E-Vapor products.
 2. GFBs (Global Flagship Brands) consist of four brands, which serve as flagships of the Group's brand portfolio - Winston, Camel, MEVIUS, and LD.
 3. Core revenue in the International Tobacco Business includes revenue related to waterpipe tobacco products and RRP, but excludes revenue related to the distribution business and contract manufacturing, among others.

Core revenue (USD basis)



Adjusted operating profit (USD basis)



Exchange rate per US dollar

Foreign exchange rate per US dollar	FY2019	FY2020
Japanese yen	109.03	106.76
Russian ruble	64.74	72.07
British pound	0.78	0.78
Euro	0.89	0.88
Swiss franc	0.99	0.94
Taiwanese dollar	30.90	29.47
Turkish lira	5.67	7.01
Iranian rial	104,046	_(Note)

(Note) In accordance with IAS 29, the closing currency rates for the month ended December 2020 have been applied when converting financial statements of subsidiaries located in hyperinflationary economies to the US dollar. When converting US dollars to Japanese yen, the rate applied is derived by the same method (US dollars to Iranian rial: 258,747; US dollars to Japanese yen: 103.50). For other rates, the average rate during the fiscal year is applied.

Main market shares (12-month rolling average)

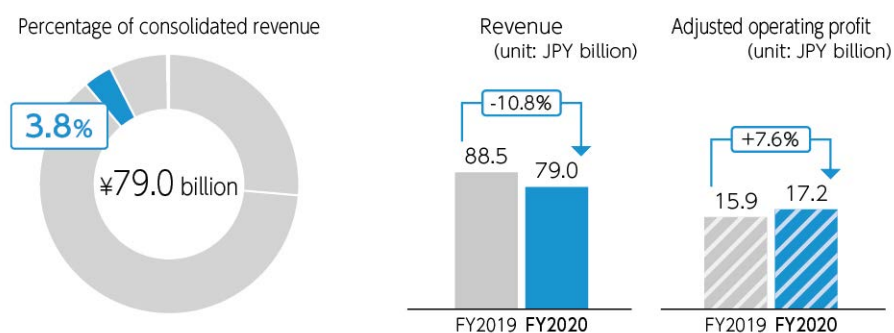
	December 2019 ^(Note 1)	December 2020	Variance
France	24.2%	27.1%	2.9 percentage points
Italy	24.5%	25.6%	1.2 percentage points
Russia	39.1%	38.4%	(0.7) percentage points
Spain	25.6%	26.6% ^(Note 2)	1.0 percentage points
Taiwan	45.3%	47.7%	2.4 percentage points
Turkey	27.4%	26.6%	(0.8) percentage points
U.K.	43.6%	45.0%	1.4 percentage points

Source: IRI, Nielsen and Logista

(Notes) 1. Market shares for 2019 have also been updated based on data from the end of December 2020.

2. The market share for Spain for 2020 uses the 12-month rolling average from December 2019 to November 2020.

Pharmaceutical Business



In the Pharmaceutical Business, the Company has been striving to make a contribution to the Group's profits by promoting R&D on next-generation strategic products and by maximizing the value of each product.

In the area of product development, seven compounds are in clinical development. The Company received domestic manufacturing and marketing approval of CORECTIM® Ointment 0.5% for treatment of atopic dermatitis and ENAROY® Tablets 2 mg・4 mg for treatment of anemia associated with chronic kidney disease, which Torii Pharmaceutical Co., Ltd. began to sell in June 2020 and December 2020, respectively.

In January 2020, we concluded a license agreement with Dermavant Sciences GmbH in relation to exclusive development and commercialization in Japan, in the field of dermatological diseases and conditions, for "tapinarof, a topical, therapeutic aryl hydrocarbon receptor modulating agent," following which an agreement was concluded with Torii Pharmaceutical Co., Ltd. in relation to domestic co-development and commercialization.

In the current fiscal year, revenue decreased by 10.8% from the previous fiscal year to ¥79.0 billion, mainly due to lower overseas royalty income and a decrease in one-time compensation gains from licensed compounds.

Adjusted operating profit increased by 7.6% from the previous fiscal year to ¥17.2 billion, despite the decline in overseas royalty income, due to lower R&D expenditures marked by the completion of trials for the clinical development of the product for which an application has been filed for manufacturing and marketing approval, as well as earnings growth in our subsidiary Torii Pharmaceutical Co., Ltd.

The business has not experienced any material impact on the top line from COVID-19.

【Reference】

**Pharmaceutical Business
Clinical Development as of February 9, 2021**

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (Japan)	In-house	•Co-development with Torii
	Atopic dermatitis (infant) /Topical			Phase3 (Japan)		•Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house	
JTE-451	Autoimmune/allergic diseases /Topical	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Japan)	In-house	
JTT-251	Type 2 diabetes mellitus /Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house	
JTT-662	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Suppresses postprandial hyperglycemia and normalizes blood glucose level via inhibition of SGLT1.	Phase1 (Overseas)	In-house	
JTE-761	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Overseas)	In-house	
JTT-751 (ferric citrate hydrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed iron for synthesis of hemoglobin.	NDA filed (Japan)	In-license	•Licensed from Keryx Biopharmaceuticals •Co-development with Torii •Additional indication

Clinical trial phase presented above is based on the first dose.

We are also conducting additional studies to examine the potential for use in additional dosage forms.

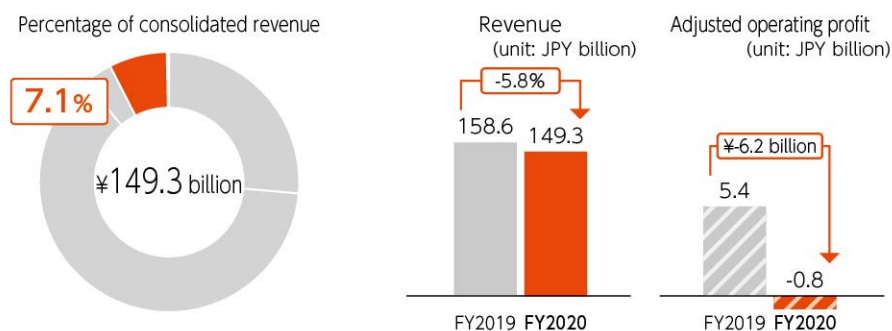
<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK pathway.	
Anti-ICOS monoclonal antibody	AstraZeneca	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
delgocitinib	LEO Pharma ROHTO Pharmaceutical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
enarodustat	JW Pharmaceutical Salubris	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PH.	

Updates since the previous announcement on October 30, 2020:

- JTE-451 (Autoimmune/allergic diseases/Oral): terminated
- JTZ-951: listing on the Japanese National Health Insurance drug price list and launch of ENAROY® Tablets 2 mg·4 mg for the Treatment of Anemia Associated with CKD in Japan
- JTZ-951 (Anemia associated with chronic kidney disease/Oral): terminated (Overseas)

Processed Food Business



In the Processed Food Business, we concentrate on frozen and ambient foods, seasonings, and bakery, while at the same time making efforts to strengthen cost competitiveness and working on initiatives to improve profitability.

In the frozen and ambient foods business in the current fiscal year, we maintained high market shares in the domestic market for our focus areas of frozen noodles, packed rice and okonomiyaki, while also launching 23 new products, such as the “No Plate Required” series designed to meet demand for simplified meals, and renewing a further 41 products.

In addition, the time spent consuming all kinds of media has trended upwards during the coronavirus pandemic. In reaction to this, we actively developed and strengthened advertising centered on the Internet, such as on YouTube and social media, and worked to raise customer awareness of our products further.

Revenue in the current fiscal year continued to be impacted by COVID-19, resulting in higher sales generated by increased demand for household products within frozen and ambient foods. However, significant declines in demand for food-service products within the frozen and ambient foods as well as the seasonings businesses, and the bakery business, led to lower sales and resulted in revenue falling 5.8% from the previous fiscal year to ¥149.3 billion.

Adjusted operating profit decreased by ¥6.2 billion from the previous fiscal year, due to the decline in revenue, rising logistics costs in the frozen and ambient foods, and an impairment loss of assets such as factories and shops in the bakery business, partially offset by improvements in product mix.

Furthermore, COVID-19 is estimated to have negatively impacted the top line by about ¥11.0 billion.

2. Status of Capital Expenditures

In this fiscal year, we made capital expenditures totaling ¥112.9 billion.

In the Japanese Domestic Tobacco Business, we spent ¥21.1 billion, mainly on investments accompanying maintenance and upgrade of manufacturing processes, productivity improvements, adaptation to new products, improvements in product specifications, and others. In the International Tobacco Business, we invested ¥66.6 billion mainly for compliance with regulations in addition to improvements in product specifications. In the Pharmaceutical Business, we spent ¥9.1 billion on enhancing and strengthening research and development structures and the like. In the Processed Food Business, we invested ¥8.0 billion in improvement, maintenance and renewals of production capability.

(Note) Capital expenditures includes land; building and structures; machinery and vehicles; and other property, plant and equipment, as well as goodwill, right of trademark, software and other intangible assets, necessary for production improvements at factories and other facilities, strengthening competitiveness and executing business in a variety of fields, excluding assets acquired through business combinations.

3. Status of Financing

With the aim of allocating funds for the repayment of short-term borrowings and the like, the Company obtained subordinated loans totaling ¥100.0 billion on January 31, 2020, and for the overseas subsidiary JT International Financial Services B.V., we issued foreign currency denominated subordinated bonds totaling €1,000 million (approximately ¥126.8 billion) on October 7, 2020.

4. Business Transfers, Absorption-Type Company Split or Incorporation-Type Company Split

No items to report.

5. Business Transfers From Other Companies

No items to report.

6. Succession of Rights and Obligations Relating to Other Entities' Business as a Result of Absorption-Type Merger or Company Split

No items to report.

7. Acquisition or Disposal of Shares, Other Equities or Subscription Rights to Shares of Other Companies

No items to report.

8. Trends in Assets and Operating Results

(1) Trends in assets and operating results of the JT Group [Consolidated]

	33rd term From January 1, 2017 to December 31, 2017	34th term From January 1, 2018 to December 31, 2018	35th term From January 1, 2019 to December 31, 2019	36th term From January 1, 2020 to December 31, 2020
Revenue (Millions of yen)	2,139,653	2,215,962	2,175,626	2,092,561
Profit before income taxes (Millions of yen)	538,532	531,486	465,232	420,063
Profit attributable to owners of the parent company (Millions of yen)	392,409	385,677	348,190	310,253
Basic earnings per share (Yen)	219.10	215.31	195.97	174.88
Total assets (Millions of yen)	5,221,484	5,461,400	5,553,071	5,381,382
Total equity (Millions of yen)	2,842,027	2,700,445	2,743,611	2,599,495

(Note) Consolidated financial statements of the JT Group are prepared based on IFRS.

(2) Trends in assets and non-consolidated operating results of JT [Non-consolidated]

	33rd term From January 1, 2017 to December 31, 2017	34th term From January 1, 2018 to December 31, 2018	35th term From January 1, 2019 to December 31, 2019	36th term From January 1, 2020 to December 31, 2020
Net sales (Millions of yen)	681,840	696,250	660,805	596,887
Ordinary income (Millions of yen)	199,336	190,343	278,968	240,491
Net income (Millions of yen)	160,120	164,595	262,469	241,752
Net income per share (Yen)	89.40	91.89	147.72	136.27
Total assets (Millions of yen)	2,885,760	2,670,883	2,614,357	2,597,930
Net assets (Millions of yen)	1,592,966	1,493,562	1,417,365	1,390,011

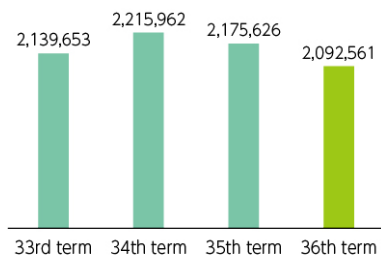
(Notes) 1. Non-consolidated financial statements of the Company are prepared based on Japanese GAAP.

2. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the 35th term.

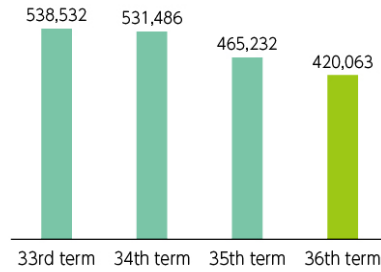
As a result of this change, amounts presented for the 34th term are those after retrospective application.

Trends in assets and operating results of the JT Group [Consolidated]

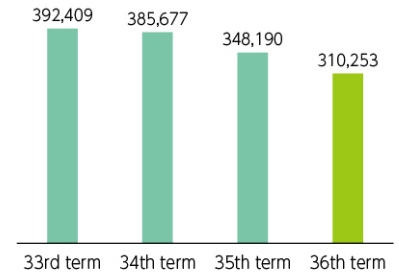
■ Revenue (unit: JPY million)



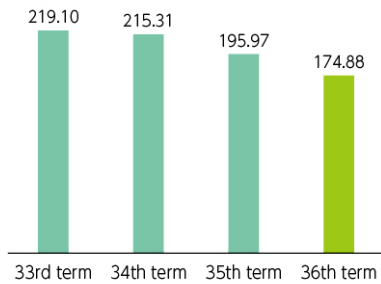
■ Profit before income taxes (unit: JPY million)



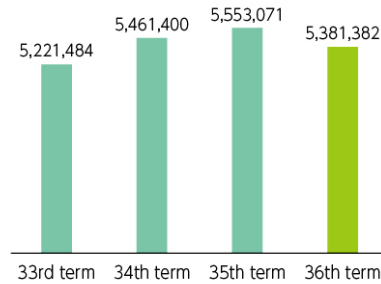
■ Profit attributable to owners of the parent company (unit: JPY million)



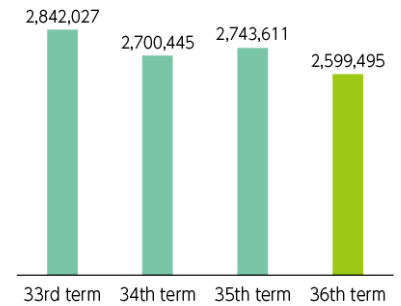
■ Basic earnings per share (unit: JPY)



■ Total assets (unit: JPY million)



■ Total equity (unit: JPY million)



9. Issues to Be Addressed

(1) Basic management policy

Our management principles are based on the pursuit of the “4S model.” The model requires us to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

We created our vision and mission based on the “4S model.” Our vision is to continue to be a growing global company by providing diversified value that is uniquely available from JT Group. Our mission is to create, develop and nurture our unique brands to win consumer trust, while understanding and respecting the environment and the diversity of societies and individuals.

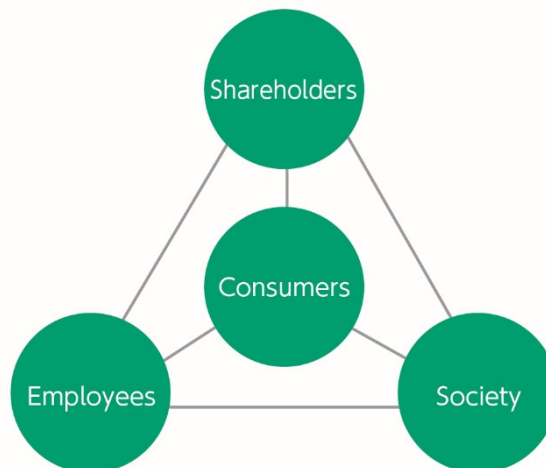
We have also adopted “The JT Group Way” as a code of conduct which all members of the Group should follow. The JT Group Way requires that we fulfill the expectations of our consumers and behave responsibly, strive for quality in everything we do through continuous improvement, and leverage diversity across the Group.

The Group has attained sustainable profit growth and will continue to do so through the pursuit of the “4S model.” Since attaining sustainable profit growth requires us to continue to provide new value and satisfaction to consumers, we believe it is essential to steadily make business investments for future mid- to long-term profit growth.

We believe that the pursuit of the “4S model” will lead to a consistent increase in corporate value in the mid- to long-term and therefore that it is the best approach to serve the interests of all stakeholders.

Management Principles

We strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.



(2) Mid- to long-term management strategy and issues

In view of realizing the Group's long-term vision of becoming a "Company committed to global growth that provides consumers with diversified value available uniquely from JT," we intend to carry on strategies that have hitherto been implemented, and believe that in order to take them to a higher level it is necessary to not merely respond passively to change, but to initiate transformation ourselves in order to accelerate our evolution into an organization that will lead this revolution, thus enabling sustainable growth in profits over the mid- to long term.

Based on this thinking, the Group formulates its three-year business plan with the aim of renewing it each year on a rolling basis in order to speed up the Group's ability to respond appropriately to unexpected changes.

In the "Business Plan 2021," there is no change in the Group's resources allocation policy, under which we will continue to place a high priority on making business investments that contribute to sustainable mid- to long-term profit growth^(Note 1) as well as on valuing the balance between profit growth through business investments and shareholder returns based on the "4S model."

In accordance with the "Business Plan 2021," the Group will continue to pursue mid to high single digit^(Note 2) annual average growth rate over the mid- to long term in adjusted operating profit at constant FX^(Note 3).

With regard to shareholder returns, from the perspective of the concepts of "prioritizing business investments" and "striking a balance between profit growth and shareholder returns" mentioned in the resources allocation policy, we have revised this policy in Business Plan 2021. Specifically, while maintaining a solid financial base^(Note 4), we had previously worked toward stable and consistent growth in dividend per share^(Note 5) as part of our efforts to enhance shareholder returns by realizing the Company's mid- to long-term profit growth, but we have changed this to targeting a dividend payout ratio of 75%^(Note 6) as a competitive level in the capital markets^(Note 7).

Additionally, we will consider implementing acquisitions of treasury shares, mainly taking into account the Company's financial outlook of the respective year and the mid-term capital needs.

The mid- to long-term targets for each business are as follows.

Tobacco Business	Grow adjusted operating profit at mid to high single digit rate per annum over the mid- to long term as the core business and profit growth engine of the Group
Pharmaceutical Business	Strive to make profit contribution to the Group through promotion of R&D on next-generation strategic products and value maximization of each product
Processed Food Business	Aim to achieve mid- to long-term sustainable profit growth centered on top-line growth

In order to achieve the consolidated mid- to long-term profit targets, our strategic focus across all businesses is to achieve quality top-line growth by striving in accordance with each target. For each business, our strategic focus is to improve cost competitiveness and business foundations that support these efforts, thereby achieving sustainable profit growth.

As announced on February 9, 2021, the Group will implement a new operating model for the tobacco business by unifying the organization structure of the domestic and international tobacco businesses, boosting competitiveness by reforming the domestic sales organization structure, consolidating manufacturing and leaf procurement locations, and optimizing the workforce.

The business environment in which the Group operates is characterized by a high degree of uncertainty, such as changes in the international political situation, and foreign exchange risks associated with declines in value for the currencies of emerging countries. In particular, global economic conditions have deteriorated as a result of the lockdowns and restrictions on cross-border travel caused by the COVID-19 pandemic, which have given rise to significant changes in consumer behavior and corporate activity, and we recognize that the outlook going forward is even more uncertain.

In view of not only this very difficult business environment, but also the size and swiftness of global trends such as the advance of digital technology, changes in the consciousness and behavior of consumers, and the shift towards greater awareness of sustainability, the Group will not merely respond passively to change, but will instead work to initiate transformation itself, allocating resources based on the “4S model” with the aim of achieving sustainable profit growth over the mid- to long term, and generating steady returns for shareholders.

- (Notes)
1. Growth of adjusted operating profit at constant FX through quality top-line growth
 2. mid to high single digit: mid to high single digit-percentage
 3. Adjusted operating profit is calculated by deducting amortization cost of acquired intangibles and adjustment items (income and costs) from operating profit (loss). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.
Adjusted operating profit growth rate at constant FX is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current fiscal year in the International Tobacco Business using the foreign exchange rates of the previous fiscal year.
 4. The Company will maintain a solid financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.
 5. Based on the mid- to long-term outlook of the growth rate of adjusted operating profit at constant FX, the Group will also take into account the Group’s level of profit going forward.
 6. To be in the range of approximately $\pm 5\%$.
 7. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our “4S model” and have realized strong business growth.

【Reference】 Resources Allocation Policy of the Business Plan 2021

Resources allocation policy

Allocate resources based on the “4S model” that underlies the Group’s management principles.

- Prioritize business investments for sustainable profit growth^(Note 1) over the mid- to long term
- Strike a balance between profit growth through business investments and shareholder returns

Business investments

- Aim for quality top-line growth by continuously providing new value and satisfaction to customers
- Investment towards the growth of the tobacco business is of our highest priority

Shareholder returns

- Aim to enhance shareholder returns by realizing the Company’s mid- to long-term profit growth, while maintaining a solid financial base^(Note 2)
- Target a dividend payout ratio of about 75%^(Note 3) as a competitive level in the capital markets^(Note 4)
- Consider implementing acquisitions of treasury shares, mainly taking into account the Company’s financial outlook of the respective year and the mid-term capital needs

- (Notes)
1. Pursue growth of adjusted operating profit at constant FX through quality top-line growth.
 2. The Company will maintain a solid financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.
 3. To be in the range of approximately $\pm 5\%$.
 4. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our “4S model” and have realized strong business growth.

[Reference] Our Approach to Sustainability

In order for the Group to achieve sustainable growth, it is essential for our business to contribute to the sustainable development of our society. Sustainability is at the heart of managing our business. Our sustainability strategy is formulated based on the 4S model, our management principles, and encompasses our materiality analyses.

Taking an active approach to ESG (Environmental, Social and Governance) issues is an essential part of the sustainability of our business. We have set out **three absolute requirements** for sustainability that apply across the Group. Each business has also set out its own **focus areas**. We work continuously on a variety of sustainability issues to fulfill our responsibilities.

JT Group’s Sustainability Strategy

3 Absolute Requirements				
Respect for Human Rights		An Improved Social and Environmental Impact		Good Governance and Business Standards
Focus Areas for Each Business				
Tobacco	Products and Services	People	Supply Chain	Regulatory Environment and Illegal Trade
Pharmaceutical	Products and Services	People		Product Safety and Responsibility
Processed Food	Products and Services	People		Supply Chain

In each business, we have specific targets in the above focus areas. In the tobacco business, we have been reporting on progress since 2019. Regarding the Pharmaceutical Business and Processed Food Business, we set specific targets in 2020, and will report the progress for the first time in the Integrated Report scheduled to be published in late March 2021. Please refer to the JT website for more details.

The Group supports the Sustainable Development Goals (SDGs) adopted by the United Nations, and we will mainly contribute to the following related goals through our business activities and initiatives.



Reducing Our Environmental Impacts (Case study)

Taking into account the dramatic changes in both the social and business environment in recent years, the Group set out the JT Group Environment Plan 2030, with three focus areas; “**Energy and Emissions,**” “**Natural Resources,**” and “**Waste.**” We will work on the transition to renewable energy, reductions in greenhouse gas emissions, addressing water-related risks or sustainable forest management, and reducing the impact on the environment of waste, including plastics.

We recognized that climate change remains a key environmental challenge for us, as it can have a direct impact on our value chain and the society at large. We have been strengthening our approach towards reducing our environmental impact. In 2019, the Group’s long-term Greenhouse Gas (GHG) emission reduction target was approved as a Science Based Target (SBT) by the Science Based Target initiative (SBTi).



In 2020, the Group has endorsed the recommendations of the “**Task Force on Climate-related Financial Disclosures (TCFD).**” We have been doing scenario analyses on climate change, and in accordance with these recommendations, we will further seek to understand and disclosure of the risks and opportunities that climate change impacts on its business. In addition, in order to further promote the circular economy, we set a new target relating to the appropriate use and responsible disposal of materials, including plastics, used in our products and packaging, in the JT Group Environment Plan 2030.



Our continued efforts to reduce our environmental footprint and our transparency in disclosing information have been highly evaluated, and we were recognized as a global leader in tackling climate change and water security by CDP, which is the leading international non-profit organization that assesses environmental disclosure. As a result, we were listed on the CDP’s “**Climate A List**” and “**Water A List**” for the second consecutive year. JT is one of approximately 60 companies in the world and 16 companies in Japan that achieved “**Climate A List**” and “**Water A List,**” out of more than 5,800 companies participating in the CDP environmental disclosure program in 2020.



- Please visit “Sustainability” on the Company’s website (<https://www.jt.com/sustainability/>) to find out more about our approach to sustainability.
- Beginning in FY2019, an Integrated Report was published instead of the Annual Report and the Sustainability Report. The FY2020 Integrated Report will be made available on the Company website in late March 2021.
- Details of the sustainability initiatives implemented by the Group that were previously disclosed in the Sustainability Report will continue to be made available as online content in the Company’s website (updates are expected towards the end of June 2021).
- With regard to the Company’s corporate governance, please refer to “ **【Reference】** Fundamental Policy Concerning Corporate Governance” at the end of the Reference Documents for the General Meeting of Shareholders.

10. Main Business Contents

Business segment	Main business
Japanese Domestic Tobacco Business	Manufacture and sale of tobacco products, mainly MEVIUS and Seven Stars
International Tobacco Business	Manufacture and sale of tobacco products, mainly Winston and Camel
Pharmaceutical Business	Research and development, manufacture and sale of prescription drugs
Processed Food Business	Manufacture and sale of frozen and ambient foods, seasonings, bakery products, etc.

11. Status of Important Subsidiaries

Company name	Capital	Equity ownership (%)	Main business
TS Network Co., Ltd.	(Millions of yen) 460	74.5	Distribution of tobacco products
Japan Filter Technology Co., Ltd.	(Millions of yen) 461	100.0	Manufacture and sale of filters for tobacco products
JT International S.A.	(Thousands of CHF) 923,723	(100.0)	Manufacture and sale of tobacco products
Gallaher Ltd.	(Thousands of GBP) 172,495	(100.0)	Manufacture and sale of tobacco products
Torii Pharmaceutical Co., Ltd.	(Millions of yen) 5,190	53.5	Manufacture and sale of prescription drugs
TableMark Co., Ltd.	(Millions of yen) 22,500	100.0	Manufacture and sale of processed foods

- (Notes)
1. Figures in parentheses in the “Equity ownership” column indicate indirect holding rates.
 2. On the last day of the fiscal year ended December 31, 2020, there were 235 consolidated subsidiaries, including 6 above-mentioned important subsidiaries, as well as 13 affiliates accounted for by the equity method.
 3. On the last day of the fiscal year ended December 31, 2020, there were no specified wholly owned subsidiaries as stipulated in Article 118, item 4 of the Regulation for Enforcement of the Companies Act.

12. Major Lenders

Lender	Outstanding balance (Millions of yen)
Subordinated syndicated loan	100,000
The Norinchukin Bank	40,000
Syndicated loan	34,230 (EUR 270 million)
Shinkin Central Bank	30,000

- (Notes)
1. The subordinated syndicated loan was financed jointly by four banks, with Mizuho Bank, Ltd. acting as the arranger and agent.
 2. The syndicated loan to the Company's overseas subsidiary JT International Holding B.V., a borrower, was financed jointly by four banks, with UNICREDIT BANK AG acting as the arranger and agent.

13. Major Sales Offices and Factories

(1) JT

Headquarters: 1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan

Regional sales headquarters:

Hokkaido (Hokkaido), Tohoku (Miyagi), Joshinetsu (Gunma), Kita-Kanto (Saitama), Higashi-Kanto (Chiba), Tokyo (Tokyo), Kanagawa (Kanagawa), Hokuiku (Ishikawa), Tokai (Aichi), Kita-Kansai (Osaka), Osaka (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka), and Minami-Kyushu (Kagoshima)

Factories: Kita-Kanto (Tochigi), Tokai (Shizuoka), Kansai (Kyoto), Kyushu (Fukuoka), and Tomobe (Ibaraki)

Laboratories: Tobacco Science Research Center (Kanagawa), Leaf Tobacco Research Center (Tochigi), and Central Pharmaceutical Research Institute (Osaka)

(Note) The headquarters was relocated to the above address on October 5, 2020.

(2) Subsidiaries

TS Network Co., Ltd. (Tokyo)
Japan Filter Technology Co., Ltd. (Tokyo)
JT International S.A. (Switzerland)
Gallaher Ltd. (U.K.)
Torii Pharmaceutical Co., Ltd. (Tokyo)
TableMark Co., Ltd. (Tokyo)

(Note) Text in parentheses shows the location of head office.

14. Status of Employees

(1) Employees of the JT Group [Consolidated]

Business segment	Number of employees (Person)
Japanese Domestic Tobacco Business	10,354
International Tobacco Business	40,576
Pharmaceutical Business	1,379
Processed Food Business	5,021
Common company-wide services within JT	970
Total	58,300

(Note) The above number of employees indicates the number of working employees.

(2) Employees of JT [Non-consolidated]

Male/Female	Number of employees (Person)	Year-on-year increase (decrease) (Person)	Average age (Year old)	Average years of service (Year)
Male	6,141	(132)	44.4	19.3
Female	1,225	34	37.3	12.0
Total or average	7,366	(98)	43.2	18.1

(Note) The above number of employees indicates the number of working employees.

II. Matters Concerning Shares of JT

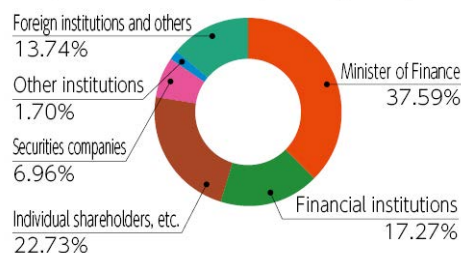
1. Total number of shares authorized: 8,000,000,000 shares

2. Total number of shares issued: 2,000,000,000 shares

(Including treasury shares 225,754,671 shares)

3. Number of shareholders: 638,716

Composition of shareholders (Deducting treasury shares)



4. Major shareholders

Name of shareholders	Number of shares held (Share)	Equity ownership (%)
Minister of Finance	666,925,200	37.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	77,183,500	4.35
SMBC Nikko Securities Inc.	58,303,600	3.29
Custody Bank of Japan, Ltd. (Trust Account)	48,009,500	2.71
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	23,660,000	1.33
State Street Bank West Client - Treaty 505234	19,974,941	1.13
Barclays Securities Japan Limited	18,432,844	1.04
Custody Bank of Japan, Ltd. (Trust Account 5)	17,079,000	0.96
Custody Bank of Japan, Ltd. (Trust Account 6)	15,416,800	0.87
JAPAN SECURITIES FINANCE CO., LTD.	14,114,400	0.80

(Note) Equity ownership is calculated after deducting treasury shares (225,754,671 shares).

5. Other significant matters concerning shares

The Company disposed of 239,200 treasury shares on May 26, 2020, for the allotment of restricted stock remuneration to four Members of the Board who also serve as Executive Officers, and to 20 Executive Officers.

III. Matters Concerning Subscription Rights to Shares

1. Total number and others of subscription rights to shares as of December 31, 2020

(1) Total number of subscription rights to shares	3,858 units
(2) Class and number of shares to be delivered upon exercise of subscription rights to shares	Ordinary shares 771,600 shares (200 shares per subscription right to shares)

2. Status of subscription rights to shares held by Members of the Board and Audit & Supervisory Board Members of JT as of December 31, 2020

(1) Class and number of shares to be delivered upon exercise of subscription rights to shares	Ordinary shares 402,800 shares (200 shares per subscription right to shares)
(2) Value of property to be contributed when subscription rights to shares are exercised	¥1 per share
(3) Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
(4) Conditions for exercising subscription rights to shares	Subscription rights to shares holder may exercise his/her subscription rights to shares only if he/she loses his/her all position as Member of the Board, Audit & Supervisory Board Member and Executive Officer.

The status of ownership by Members of the Board and Audit & Supervisory Board Members of JT is as follows.

Year granted	Payment due upon allotment of subscription rights to shares	Exercise period of subscription rights to shares	Members of the Board		Audit & Supervisory Board Members	
			Number of units	Number of shareholders	Number of units	Number of shareholders
FY2007	¥581,269 per unit	From January 9, 2008 to January 8, 2038	16	1	-	-
FY2008	¥285,904 per unit	From October 7, 2008 to October 6, 2038	18	1	15	1
FY2009	¥197,517 per unit	From October 14, 2009 to October 13, 2039	40	1	36	1
FY2010	¥198,386 per unit	From October 5, 2010 to October 4, 2040	72	2	30	1
FY2011	¥277,947 per unit	From October 4, 2011 to October 3, 2041	41	2	32	1
FY2012	¥320,000 per unit	From October 10, 2012 to October 9, 2042	72	4	23	1
FY2013	¥513,400 per unit	From October 8, 2013 to October 7, 2043	63	4	14	1
FY2014	¥483,200 per unit	From October 7, 2014 to October 6, 2044	71	5	8	1
FY2015	¥711,200 per unit	From August 4, 2015 to August 3, 2045	127	5	17	1
FY2016	¥572,600 per unit	From July 5, 2016 to July 4, 2046	113	5	13	1
FY2017	¥482,200 per unit	From July 4, 2017 to July 3, 2047	168	5	21	1
FY2018	¥300,000 per unit	From July 3, 2018 to July 2, 2048	374	6	-	-
FY2019	¥188,000 per unit	From July 2, 2019 to July 1, 2049	630	6	-	-

- (Notes)
1. Outside Directors are not included in the above category of “Members of the Board.”
 2. The subscription rights to shares owned by an Audit & Supervisory Board Member are those that were granted to the individual while he/she was serving as an Executive Officer.
 3. Based on the resolution of the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, the stock option plan was abolished. Therefore, the Company did not issue any new subscription rights as stock options during the fiscal year ended December 31, 2020.

IV. Matters Concerning Members of the Board and Audit & Supervisory Board Members of JT

1. Members of the Board and Audit & Supervisory Board Members

Position	Name	Responsibility	Significant concurrent positions outside the Company
Chairperson of the Board	Yasutake Tango		Outside Director, The Ogaki Kyoritsu Bank, Ltd. Outside Director, Audit and Supervisory Committee Member, Mitsubishi UFJ Trust and Banking Corporation
Deputy Chairperson of the Board	Mutsuo Iwai		Outside Director, Benesse Holdings, Inc.
Representative Director and President	Masamichi Terabatake	Chief Executive Officer	Chairman and Managing Director, JT International Group Holding B.V.
Representative Director and Executive Vice President	Naohiro Minami	Chief Financial Officer and Communications	Supervisory Board member, JT International Holding B.V.
Representative Director and Executive Vice President	Kiyohide Hirowatari	Legal, Corporate Strategy, Digitalization, Human Resources, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	
Member of the Board and Senior Vice President	Kazuhito Yamashita	Chief Sustainability Officer, Compliance and General Affairs	
Member of the Board	Main Kohda		Novelist Outside Director, Japan Exchange Group, Inc. Outside Director, MITSUBISHI MOTORS CORPORATION
Member of the Board	Koichiro Watanabe		Director and Chairman of the Board, Dai-ichi Life Holdings, Inc. Director and Chairman of the Board, The Dai-ichi Life Insurance Company, Limited Vice Chair, Director, KEIDANREN (Japan Business Federation)
Member of the Board	Yukiko Nagashima		Standing Audit and Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit and Supervisory Board Member, Recruit Co., Ltd.
Standing Audit & Supervisory Board Member	Ryoko Nagata		
Standing Audit & Supervisory Board Member	Hiroshi Yamamoto		

Position	Name	Responsibility	Significant concurrent positions outside the Company
Standing Audit & Supervisory Board Member	Toru Mimura		Attorney at Law, Shiba International Law Offices
Audit & Supervisory Board Member	Hiroshi Obayashi		Attorney at Law, Obayashi Law Office Outside Audit & Supervisory Board Member, Daiwa Securities Co., Ltd. Outside Director, Mitsubishi Electric Corporation Outside Director, Audit & Supervisory Committee Member, NIPPON STEEL CORPORATION
Audit & Supervisory Board Member	Koji Yoshikuni		

- (Notes)
- Members of the Board Main Kohda, Koichiro Watanabe and Yukiko Nagashima are Outside Directors.
 - Audit & Supervisory Board Members Toru Mimura, Hiroshi Obayashi and Koji Yoshikuni are Outside Audit & Supervisory Board Members.
 - Members of the Board, Main Kohda, Koichiro Watanabe and Yukiko Nagashima, and Audit & Supervisory Board Members, Hiroshi Obayashi and Koji Yoshikuni, were designated as independent officers (directors and auditors) as prescribed by the Tokyo Stock Exchange, Inc.
 - Audit & Supervisory Board Members Hiroshi Yamamoto and Koji Yoshikuni have relevant knowledge about financing and accounting as they were Vice President of the Operational Review and Business Assurance Division of the Company and Auditor of Hosei University, respectively.
 - The Company has entered into agreements with each of its Members of the Board (excluding Members of the Board who also serve as Executive Officers) and Audit & Supervisory Board Members with respect to the liability set forth in Article 423, paragraph 1 of the Companies Act, by which the liability for damages of each of them is limited to the minimum amount set forth in Article 425, paragraph 1 of the same Act, provided they perform their duties without knowledge of such damages and without gross negligence.
 - The Company has entered into liability agreements with each of its Members of the Board and Audit & Supervisory Board Members as stipulated in Article 430-2, paragraph 1 of the Companies Act, whereby the Company shall compensate them for expenses incurred under item (i) of the same paragraph, and any losses incurred under item (ii) of the same paragraph, to the extent permitted by laws and regulations.
 - The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act, under which all Members of the Board and Audit & Supervisory Board Members are policyholders. Under the terms of this insurance, litigation expenses and compensation for damages arising from legal action against the policyholders by third parties, shareholders or companies shall be supplemented.

2. Remunerations for Members of the Board and Audit & Supervisory Board Members

(1) Total remunerations for Members of the Board and Audit & Supervisory Board Members

Category	Members of the Board		Audit & Supervisory Board Members		Total	
	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)
Base salary	9	561	5	166	14	727
Executive bonus	4	438	-	-	4	438
Stock option grants	6	30	-	-	6	30
Restricted stock remuneration	4	188	-	-	4	188
Performance share units	4	33	-	-	4	33
Total	-	1,251	-	166	-	1,416

(Notes) 1. For executive bonuses, the amounts planned to be paid are shown.

2. For stock option grants, the recorded amount of stock option expenses for the period under review is shown (following a resolution of the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, the previous stock option plan was abolished and the Restricted Stock Remuneration Plan and Performance Share Unit Plan were adopted).

3. For performance share units, the recorded amount of expenses is shown.

(2) Policy concerning the remuneration amount for Members of the Board and Audit & Supervisory Board Members or the remuneration calculation method thereof and the method of determining the policy

1. Executive Remuneration Policy

In order to achieve sustainable profit growth and increase of corporate value over the mid- to long-term by pursuing the Group's management principles of "4S model," the Advisory Panel on Nomination and Compensation reviews and provides advice on the policy, framework and calculation method for remuneration of the Company's Members of the Board and Executive Officers in response to inquiries from the Board of Directors. It also monitors whether our executive remuneration level is reasonable.

In light of reports by the Advisory Panel on Nomination and Compensation, JT's basic concept of remuneration for Members of the Board and Audit & Supervisory Board Members is as follows:

- Setting the remuneration at a level sufficient to secure personnel with superior capabilities
- Linking the remuneration to business performance so as to motivate Members of the Board and Audit & Supervisory Board Members to enhance performance
- Linking the remuneration to mid- to long-term corporate value
- Ensuring transparency based on an objective point of view and quantitative schemes

2. Executive Remuneration Composition

- Members of the Board who also serve as Executive Officers

Remuneration for the Members of the Board who also serve as Executive Officers comprises “base salary,” “executive bonus,” “restricted stock remuneration” and “performance share unit remuneration” as they are required to achieve results by executing their duties on a daily basis.

If the “executive bonus” and “performance share unit remuneration” are paid at the standard amount, the composition ratio for each type of remuneration is as follows.

	Base Salary	Short-Term Incentive Plan	Mid- and Long-Term Incentive Plan	
Ratio (Note 1)	Base Salary c. 33-42%	Executive Bonus c. 31-35%	Restricted Stock Remuneration (Note 2)	Performance Share Units (Note 2)
			c. 25-33%	
Payment Format	Cash		Shares	Shares & Cash (Note 3)

- (Notes)
- The composition ratios vary depending on the duties of Members of the Board and the ranges are indicated in the illustration.
 - The ratio of restricted stock remuneration and performance share units is about 3 to 1.
 - Under performance share unit, 50% is paid as cash towards tax payment.
 - The above illustration is based on certain assumptions of the Company’s performance and the share price. The above ratios could fluctuate depending on the company performance and the share price.

- Members of the Board (excluding Outside Directors) who do not serve as Executive Officers

For Members of the Board (excluding Outside Directors) who do not serve as Executive Officers, remuneration is not linked to business performance but is composed of “base salary” only, as they are required to make decisions on the JT Group management strategies aimed at enhancing corporate value and to fulfill supervisory functions including monitoring the implementation of mid- to long-term growth strategies, etc.

- Outside Directors

Remuneration for Outside Directors, which is not linked to business performance with the purpose of maintaining their independence, is composed of “base salary” only.

- Audit & Supervisory Board Members

In the light of the role of Audit & Supervisory Board Members, which is primarily to conduct audits on legal compliance, their remuneration is composed of “base salary” only.

<Remuneration structure for Members of the Board and Audit & Supervisory Board Members>

		Base salary	Executive bonus	Restricted stock remuneration / Performance share units
Members of the Board (excluding Outside Directors)	Executive Officer	Applicable	Applicable	Applicable
	Not an Executive Officer	Applicable	Not applicable	Not applicable
Outside Directors		Applicable	Not applicable	Not applicable
Audit & Supervisory Board Members		Applicable	Not applicable	Not applicable

3. Ceiling of the Total Executive Remuneration and Approval Process

The ceiling of the total amount of the annual aggregate remuneration for all Members of the Board (nine persons as of December 31, 2020) was approved at our 35th Ordinary General Meeting of Shareholders held on March 19, 2020 and shall be ¥1.1 billion (including ¥80 million for Outside Directors). In addition, the ceiling of the total amount of remuneration for granting restricted stock and performance share units to

Members of the Board who also serve as Executive Officers (four persons as of December 31, 2020) shall be ¥210 million (or 115,200 shares) and ¥130 million (or 76,800 shares), respectively.

Further, the maximum amount of the annual aggregate remuneration for all Audit & Supervisory Board Members (five persons as of December 31, 2020) was approved at our 34th Ordinary General Meeting of Shareholders held on March 20, 2019 and shall not exceed ¥240 million.

The amount of remuneration for Members of the Board is benchmarked based on a survey of remuneration of directors conducted by third parties, based on the remuneration levels of major domestic manufacturers that are expanding overseas with the similar size and profits. Specifically, after benchmarking the level of base salary of directors and the percentage of variable remuneration for annual bonuses and mid- and long-term incentives, the amount of remuneration for each Member of the Board is decided by a resolution of the Company's Board of Directors, based on the deliberations of the Advisory Panel on Nomination and Compensation and within the maximum remuneration approved at the General Meeting of Shareholders.

The remuneration of Audit & Supervisory Board Members is also benchmarked in the same way, and is determined by deliberation among the Audit & Supervisory Board Members within the maximum remuneration approved at the General Meeting of Shareholders.

4. Executive Remuneration Details

- Base salary

Executives will be remunerated with monthly base salary as per their responsibilities. Members of the Board who also serve as Executive Officers will be individually evaluated for achievement of their performance targets through execution of their duties that will lead to the Company's sustainable profit growth. Performance targets are set through interviews with the Company's President and Chief Executive Officer at the beginning of the fiscal year and evaluated at the end of year. The base salary for the following fiscal year will be set within certain range reflecting the individual performance evaluations. However, an individual performance evaluation will not be applicable for the Company's President and Chief Executive Officer.

- Executive bonus

Executive bonus for Members of the Board who also serve as Executive Officers will be paid as monetary remuneration reflecting the performance of a fiscal year. Adjusted operating profit at constant FX and profit for the year will be the performance indicators (KPI) to measure the performance of the business itself, which is the foundation for sustainable growth, as well as the achievement rate of profit growth, from the viewpoint of providing shared value with the shareholders. Executive bonus will be comprised of adjusted operating profit at constant FX and profit in the ratio of 75% and 25%, respectively. Performance-linked payout will be based on the KPI achievement in the range of 0% - 200%. In a case where a Member of the Board who is a recipient of executive bonus has carried out certain wrongful behavior, the officer involved will be required to refund a part of the executive bonus already paid.

- Restricted stock remuneration

The Restricted Stock Remuneration Plan is designed to strengthen the shared value with shareholders and to enhance the corporate value over the mid- to long- term. Members of the Board who also serve as Executive Officers are eligible to receive monetary remuneration claims every fiscal year towards restricted stock and the eligible Directors will receive the allocation of Company's ordinary shares by paying all of the monetary remuneration claims in kind in accordance with the resolution of the Board of Directors (the allotment is made by means of disposal of treasury shares). The restriction period will be 30 years, but even during this period, the transfer restrictions on the allotted shares will be removed upon resignation of such eligible Director from a position as Member of the Board or any other positions separately specified by the Company's Board of Directors.

- Performance share units

The Performance Share Unit Plan is a performance-linked stock compensation system that aims to strengthen the shared value with shareholders, to enhance the corporate value over the mid- to long- term and to commit to achieving business results over the mid-term.

Members of the Board who also serve as Executive Officers are eligible to receive monetary remuneration claims and cash towards the acquisition of ordinary shares after the performance evaluation period, which is comprised of three fiscal years starting from the fiscal year subject to provision, in accordance with the rate of achievement of performance and other multi-year performance targets during the performance evaluation period. The Advisory Panel on Nomination and Compensation deliberates and decides on the achievement rate of such targets for performance and other items during the performance evaluation period. The remuneration for the performance share units will be disbursed after the performance evaluation period expires, in principle, as monetary remuneration claims and cash towards the acquisition of ordinary shares. Each of the eligible Directors will receive the allocation of Company's ordinary shares by paying all of the monetary remuneration claims in kind (the allotment is made by means of disposal of treasury shares). In performance evaluation, indicators linked to the Company's mid-term growth have been set. In the plan starting from 2020, profit for the following three years will be set as a KPI with the aim of providing shared value with shareholders. Performance-linked payout will be based on the KPI achievement in the range of 0% - 200%.

3. Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

(1) Significant concurrent positions outside the Company

Category	Name	Organizations where concurrent positions are held	Position
Member of the Board	Main Kohda	Novelist	
		Japan Exchange Group, Inc.	Outside Director
		MITSUBISHI MOTORS CORPORATION	Outside Director
	Koichiro Watanabe	Dai-ichi Life Holdings, Inc.	Director and Chairman of the Board
		The Dai-ichi Life Insurance Company, Limited	Director and Chairman of the Board
		KEIDANREN (Japan Business Federation)	Vice Chair, Director
	Yukiko Nagashima	Recruit Holdings Co., Ltd.	Standing Audit and Supervisory Board Member
Recruit Co., Ltd.		Standing Audit and Supervisory Board Member	
Audit & Supervisory Board Member	Toru Mimura	Shiba International Law Offices	Attorney at Law
	Hiroshi Obayashi	Obayashi Law Office	Attorney at Law
		Daiwa Securities Co., Ltd.	Outside Audit & Supervisory Board Member
		Mitsubishi Electric Corporation	Outside Director
		NIPPON STEEL CORPORATION	Outside Director, Audit & Supervisory Committee Member

(Note) There are no special relationships to be mentioned between the above organizations in which concurrent positions are held and JT.

(2) Major activities during this fiscal year

Category	Name	Status of main activities
Member of the Board	Main Kohda	Attended all 13 Board of Directors meetings held during this fiscal year. Based on her extensive experience in serving on governmental advisory bodies, etc., and her high insight into international finance, she has fulfilled her duties as a Member of the Board, providing advice and recommendations on the Company's finances and IR, etc.
	Koichiro Watanabe	Attended all 13 Board of Directors meetings held during this fiscal year. Based on his wealth of experience in corporate management and governance and high insight from an investor's perspective, he has fulfilled his duties as a Member of the Board, providing advice and recommendations on the Company's governance system and finance, etc.
	Yukiko Nagashima	Attended all 13 Board of Directors meetings held during this fiscal year. Based on her experience acquired through her deep involvement in emerging businesses and corporate management, as well as her wide-ranging insights from the perspectives of both management and audit, she has fulfilled her duties as a Member of the Board, providing advice and recommendations on the Company's business strategy and organizational reform, etc.

Audit & Supervisory Board Member	Toru Mimura	Attended all 13 Board of Directors meetings, as well as all 13 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his deep insight into finance, global risk management, geopolitics, company law, etc., he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system and operational efficiency, etc.
	Hiroshi Obayashi	Attended all 13 Board of Directors meetings, as well as all 13 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his extensive experience and broad insight in the judicial world, he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system and appropriate information disclosure, etc.
	Koji Yoshikuni	Attended all 13 Board of Directors meetings, as well as all 13 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his extensive experience and broad insight in management across all operational businesses and internal departments, he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system and corporate culture, etc.

(3) Total amount of remunerations

Category	Outside Director		Outside Audit & Supervisory Board Member		Total	
	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)
Base salary	3	58	3	78	6	135

V. Matters Relating to Independent Auditor

1. **Name of Independent Auditor:** Deloitte Touche Tohmatsu LLC

2. Fees for Independent Auditor relating to this fiscal year

(1) Fees for Independent Auditor relating to this fiscal year of JT

i) Fees for audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act: ¥330 million

ii) Fees for tasks other than audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act: ¥85 million

(2) Amount of cash and other financial benefits to be paid by JT and its subsidiaries:

¥573 million

(3) Reasons for approval of the Independent Auditor's remuneration by the Audit & Supervisory Board:

When the Company concluded an audit contract with Independent Auditor, the Audit & Supervisory Board Members obtained necessary materials and received reports from the Members of the Board, relevant internal departments, and the Independent Auditor, and performed verification to confirm that the amount of remuneration to be paid to the Independent Auditor, the persons in charge of the audits, and other details of the audit contract were appropriate.

Based upon this verification, the Audit & Supervisory Board checked and examined matters including the content of the Independent Auditor's accounting plan, the status of the performance of the auditing duties, and the basis for calculation of the remuneration estimate, and, as a result, determined that approval was fair and reasonable.

- (Notes)
1. Fees paid under the terms of the audit contract concluded between Deloitte Touche Tohmatsu LLC and JT in relation to audit attestation based on the Companies Act and the Financial Instruments and Exchange Act are not clearly classified, and since they cannot be effectively classified, their total is indicated in the amount in "i)" above.
 2. JT retains Deloitte Touche Tohmatsu LLC for tasks other than audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act, which consist of advisory services relating to sustainability management and the issuance of the comfort letter in relation to the bond issuing, and for which a consideration is paid to the same.
 3. Among the important subsidiaries of JT, JT International S.A. and Gallaher Ltd. are audited by Deloitte & Touche LLP. None of these subsidiaries are audited by Deloitte Touche Tohmatsu LLC, the Independent Auditor of JT.

3. Policy on dismissal or non-reappointment of Independent Auditor

In the case that an Independent Auditor is adjudged to fall within any of the items listed in Article 340, paragraph 1 of the Companies Act, with the agreement of all of the Audit & Supervisory Board Members, the Company shall dismiss the Independent Auditor. Additionally, apart from the above, should an incident occur casting serious doubt on the ability of the Independent Auditor to continue to perform its duties, the Audit & Supervisory Board shall decide the content of proposal and submit such proposal to the General Meeting of Shareholders that the Independent Auditor should be dismissed or should not be reappointed.

* All figures contained in this Business Report are rounded to the nearest unit.

Consolidated Statement of Financial Position

(As of December 31, 2020)

(Millions of yen)

Account title	Amount	Account title	Amount
Current assets		Current liabilities	
Cash and cash equivalents	538,844	Trade and other payables	436,540
Trade and other receivables	412,144	Bonds and borrowings	141,469
Inventories	539,762	Income tax payables	46,462
Other financial assets	18,828	Other financial liabilities	27,588
Other current assets	493,992	Provisions	19,420
Subtotal	2,003,570	Other current liabilities	652,314
Non-current assets held for sale	348	Total current liabilities	1,323,793
Total current assets	2,003,919		
Non-current assets		Non-current liabilities	
Property, plant and equipment	759,290	Bonds and borrowings	817,412
Goodwill	1,909,392	Other financial liabilities	50,164
Intangible assets	363,604	Retirement benefit liabilities	331,752
Investment property	4,744	Provisions	31,338
Retirement benefit assets	70,528	Other non-current liabilities	162,982
Investments accounted for using the equity method	40,230	Deferred tax liabilities	64,447
Other financial assets	107,143	Total non-current liabilities	1,458,095
Deferred tax assets	122,534	Total liabilities	2,781,888
Total non-current assets	3,377,464	Equity	
		Share capital	100,000
		Capital surplus	736,400
		Treasury shares	(491,507)
		Other components of equity	(605,776)
		Retained earnings	2,783,718
		Equity attributable to owners of the parent company	2,522,834
		Non-controlling interests	76,660
		Total equity	2,599,495
Total assets	5,381,382	Total liabilities and equity	5,381,382

Consolidated Statement of Income

(Year ended December 31, 2020)

(Millions of yen)

Account title	Amount
Revenue	2,092,561
Cost of sales	(898,001)
Gross profit	1,194,560
Other operating income	54,924
Share of profit in investments accounted for using the equity method	4,042
Selling, general and administrative expenses	(784,472)
Operating profit	469,054
Financial income	12,353
Financial costs	(61,344)
Profit before income taxes	420,063
Income taxes	(108,034)
Profit for the period	312,029
Attributable to:	
Owners of the parent company	310,253
Non-controlling interests	1,775

Nonconsolidated Balance Sheet

(As of December 31, 2020)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	561,777	Current liabilities	693,867
Cash and deposits	299,366	Accounts payable-trade	7,069
Accounts receivable-trade	34,815	Current portion of bonds	77,624
Securities	20,000	Lease obligations	2,450
Merchandise and finished goods	27,142	Accounts payable-other	51,780
Semi-finished goods	76,402	National tobacco excise taxes payable	65,605
Work in process	2,247	National tobacco special excise taxes payable	8,536
Raw materials and supplies	32,234	Local tobacco excise taxes payable	74,707
Advance payments-trade	1,886	Income taxes payable	29,527
Prepaid expenses	4,850	Accrued consumption taxes	37,973
Short-term loans receivable from subsidiaries and affiliates	43,406	Cash management system deposits received	326,353
Other	19,455	Provision for bonuses	6,330
Allowance for doubtful accounts	(25)	Other	5,914
Noncurrent assets	2,036,153	Noncurrent liabilities	514,051
Property, plant and equipment	198,854	Bonds payable	206,717
Buildings	80,030	Long-term loans payable	170,000
Structures	2,375	Lease obligations	4,529
Machinery and equipment	51,567	Provision for retirement benefits	128,333
Vehicles	1,307	Other	4,472
Tools, furniture and fixtures	14,221	Total liabilities	1,207,918
Land	48,909	NET ASSETS	
Construction in progress	445	Shareholders' equity	1,372,501
Intangible assets	282,089	Capital stock	100,000
Patent right	154	Capital surplus	736,400
Right of trademark	82,120	Legal capital surplus	736,400
Software	18,299	Retained earnings	1,027,608
Goodwill	178,855	Legal retained earnings	18,776
Other	2,662	Other retained earnings	1,008,832
Investments and other assets	1,555,210	Reserve for investment loss on developing new business	377
Investment securities	16,862	Reserve for reduction entry	41,711
Shares of subsidiaries and affiliates	1,487,617	Special account for reduction entry	327
Long-term loans receivable from subsidiaries and affiliates	17,792	Retained earnings brought forward	966,416
Long-term prepaid expenses	9,090	Treasury shares	(491,507)
Deferred tax assets	13,514	Valuation and translation adjustments	16,259
Other	14,118	Valuation difference on available-for-sale securities	4,069
Allowance for doubtful accounts	(3,783)	Deferred gains or losses on hedges	12,189
Total assets	2,597,930	Subscription rights to shares	1,252
		Total net assets	1,390,011
		Total liabilities and net assets	2,597,930

Nonconsolidated Statement of Income

(Year ended December 31, 2020)

(Millions of yen)

Account title	Amount	
Net sales		596,887
Cost of sales		166,144
Gross profit		430,742
Selling, general and administrative expenses		329,792
Operating income		100,950
Non-operating income		
Interest income	1,224	
Dividends income	142,558	
Other	7,548	151,329
Non-operating expenses		
Interest expenses	1,634	
Interest on bonds	3,895	
Other	6,260	11,789
Ordinary income		240,491
Extraordinary income		
Gain on sales of noncurrent assets	4,861	
Gain on sale of the former JT building	45,806	
Other	2,426	53,094
Extraordinary losses		
Loss on sales of noncurrent assets	289	
Loss on retirement of noncurrent assets	5,551	
Impairment loss	999	
Other	2,051	8,889
Income before income taxes		284,695
Income taxes-current	44,675	
Income taxes-deferred	(1,732)	42,943
Net income		241,752

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 10, 2021

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Yukitaka Maruchi (Seal)

Designated Engagement Partner,
Certified Public Accountant: Yasuhiko Haga (Seal)

Designated Engagement Partner,
Certified Public Accountant: Yoichi Matsushita (Seal)

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2020 to December 31, 2020, and the related notes of significant matters for preparing consolidated financial statements and other related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 10, 2021

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Yukitaka Maruchi (Seal)

Designated Engagement Partner,
Certified Public Accountant: Yasuhiko Haga (Seal)

Designated Engagement Partner,
Certified Public Accountant: Yoichi Matsushita (Seal)

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Japan Tobacco Inc. (the "Company"), namely, the nonconsolidated balance sheet as of December 31, 2020, and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 36th fiscal year from January 1, 2020 to December 31, 2020, and the related notes of significant accounting policies and other related notes to nonconsolidated financial statements, and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

[The following represents a translation, for convenience only, of the original report issued in the Japanese language.]

Audit Report of the Audit & Supervisory Board

AUDIT REPORT

Regarding the performance of duties by the Members of the Board for the 36th fiscal year from January 1, 2020 to December 31, 2020, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

1. Auditing Methods Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details of Such Methods

(1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Members of the Board, other relevant personnel, and Independent Auditors regarding performance of their duties, and sought explanations as necessary.

(2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Members of the Board, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and conducted his or her audits in the following methods:

i) We participated in the Board of Directors' meetings and other important meetings, received reports from the Members of the Board, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important documents, and studied the operations and financial positions at the head office and principal offices. With respect to subsidiaries, we communicated and exchanged information with Members of the Board, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

ii) We monitored and verified the details of the resolution of the Board of Directors related to the system that ensures Members of the Boards are carrying out their duties in compliance with laws and regulations and the Articles of Incorporation, and other systems that ensure the propriety of the operations of the corporate group comprised of a stock company and its subsidiaries, which are described in paragraphs 1 and 3 of Article 100 of the Regulation for Enforcement of the Companies Act. We also monitored and verified the condition of the system (internal control system) put in place in accordance with the aforesaid resolution.

iii) We monitored and verified whether the Independent Auditors maintained their independence and implemented appropriate audits, and we received reports from the Independent Auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the Independent Auditors that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant regulations, and sought explanations as necessary.

Based on the above methods, we examined the business report and the accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, and non-consolidated statement of changes in net assets) and the accompanying supplemental schedules, as well

as consolidated financial statements (consolidated statement of financial position, consolidated statement of income, and consolidated statement of changes in equity, which omit some disclosure items required under International Financial Reporting Standards (IFRS) in accordance with the provision of the second sentence of Article 120, paragraph 1 of the Regulation on Corporate Accounting) related to the relevant business year.

2. Audit Results

(1) Results of Audit of Business Report and Other Relevant Documents

1. In our opinion, the business report and the accompanying supplemental schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent JT's condition.
2. With regard to the performance of duties by the Members of the Board, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
3. In our opinion, the contents of the resolutions of the Board of Directors regarding the internal controls system are fair and reasonable, and, furthermore, the development, implementation and maintenance of the internal controls system are appropriate.

(2) Results of Audit of Non-Consolidated Financial Statements and the accompanying supplemental schedules

In our opinion, the methods and results employed and rendered by the Independent Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the Independent Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

February 15, 2021

The Audit & Supervisory Board, Japan Tobacco Inc.

Standing Audit & Supervisory Board Member	Ryoko Nagata	(seal)
Standing Audit & Supervisory Board Member	Hiroshi Yamamoto	(seal)
Standing Audit & Supervisory Board Member	Toru Mimura	(seal)
Audit & Supervisory Board Member	Hiroshi Obayashi	(seal)
Audit & Supervisory Board Member	Koji Yoshikuni	(seal)

(Note) Standing Audit & Supervisory Board Member Toru Mimura and Audit & Supervisory Board Members Hiroshi Obayashi and Koji Yoshikuni are Outside Audit & Supervisory Board Members provided for by Article 2, item 16 and Article 335, paragraph 3 of the Companies Act.